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# **Daily Report—**

# **China**

**FBIS-CHI-89-210  
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# Daily Report

## China

FBIS-CHI-89-210

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1 November 1989

**NOTICE TO READERS:** An \* indicates material not previously disseminated in electronic form.

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## General

### First Asian Games Meeting Ends

#### Media Coverage Discussed

OW2910152289 Beijing XINHUA in English  
1432 GMT 29 Oct 89

[Text] Beijing, October 29 (XINHUA)—The three-day first meeting of broadcasters of next year's 11th Asian Games here next year concluded here today.

The meeting, hosted by the Beijing Asian Games Radio and TV Committee (BAGRTC), attracted 44 representatives from 21 broadcasting and television organizations.

The broadcasting arrangements for the September 22-October 7 games were discussed.

According to the BAGRTC, there would be live broadcasts and video replay for 17 events at 20 stadiums during the games.

The International Broadcasting Center (IBC), still under construction here, will provide facilities for foreign broadcasters to prepare radio and TV programmes.

Live radio and TV broadcasting can be conducted at eight to ten different competition venues at the same time and eight international signals can be transmitted from the IBC through satellites.

#### Olympic Council Members Expected

OW3110141689 Beijing XINHUA in English  
1326 GMT 31 Oct 89

[Text] Beijing, October 31 (XINHUA)—"All the 38 members of the Olympic Council of Asia (OCA), invited to the 11th Asian Games next year here, are expected to participate," said Du Haoran, assistant to the president of the Beijing Asian Games Organizing Committee (BAGOC) here today.

Du made the comment today, 325 days before the games open on September 22 next year, to some 30 reporters here from across the country to cover the Asiad preparations.

The BAGOC announced earlier today that the National Olympic Committees of Indonesia, Japan, Singapore, Thailand, Malaysia and Bangladesh had become the first OCA members to confirm participation at the games. The BAGOC issued official invitations to all OCA members at a ceremony here on September 21.

The 16-day games have a total of 313 events in 27 medal sports and two demonstration disciplines. It is expected to draw a field of 6,000 athletes and officials and 4,000 from mass media organizations.

The BAGOC had decided to set up a new department for a better mobilization, among Beijing residents in particular, to contribute to the games.

The BAGOC official said organizers face a hard task of tackling an expectedly heavy traffic during the games. Vehicles are to be restricted onto streets, vehicles from other cities are to be barred from entering Beijing and Asiad-only routes are to be set up, he said.

Du said at least 2,000 interpreters and 4,500 referees and judges are needed for the games. "We have to speed up the training to meet the need."

Du also released that, according to a government decision, no cars will be imported for the games. Instead, government departments, organizations and other vehicle owners are to be asked to lend buses, vans and cars to meet the need.

#### Six Nations To Attend

OW3110133889 Beijing XINHUA in English  
1220 GMT 31 Oct 89

[Text] Beijing, October 31 (XINHUA)—The national Olympic committees [NOCs] of six Asian nations have confirmed participation in next year's 11th Asian Games in the Chinese capital, the Beijing Asian Games Organizing Committee (BAGOC) announced here today.

A BAGOC spokesman said that the BAGOC had received participation confirmations from Indonesia, Japan, Singapore, Malaysia, Thailand and Bangladesh, for the September 22-October 7 games here.

The national Olympic committees expressed their gratitude to the BAGOC for inviting their countries to the games, the spokesman said.

Yosiki Tsutsumi, president of the Japanese Olympic Committee, said in a letter to Wu Shaozu, executive president of the BAGOC that the Japanese Olympic Committee had decided to receive the Asian Games invitation and try to send "a strongest possible" delegation to Beijing.

The NOCs of Iran and Kuwait had informed the BAGOC of the liaison officers they had designated for the games, the spokesman said.

The BAGOC issued official invitations to all the 38 members of the Olympic Council of Asia on September 21 in a special ceremony here.

The NOCs of the invited countries and regions are requested to inform the BAGOC of their intention to participate before March 30 of next year and the events and number of athletes they wish to enter, before June 22. And the deadline for the final entry is set for August 22.

#### Students To Help Build

OW2910152589 Beijing XINHUA in English  
1454 GMT 29 Oct 89

[Text] Beijing, October 29 (XINHUA)—More than 2,000 students from 13 universities in Beijing today gathered at the Asian Games village on the outskirts of

the city proper to volunteer their strength for the construction of the Asian Games village.

When students from the Beijing University, the Qinghua University and the Beijing University of Science and Technology and other institutes arrived, the construction site seems hectic—some of them riddling gravel and others transporting materials like planks and steels. Some municipal officials also worked together with the students.

During the holidays in the next three weeks, university students will be organized to take part in the construction of the Asian Games village, according to Qiang Wei, secretary of the Beijing Communist Youth League Committee.

On November 20, which is 300 days from the opening of the coming Asian Games, the committee will mobilize 100,000 young people in the capital to work for construction of the Asian Games facilities.

Meanwhile, said the secretary, some 200,000 young people in the city will be organized to serve for the community, including publicity, sanitary work and maintaining traffic order.

#### **Government To Contribute to UN Peacekeeping**

*OW0111022789 Beijing XINHUA in English  
0120 GMT 1 Nov 89*

[Text] United Nations, October 31 (XINHUA)—Chinese Ambassador Yu Mengjia said here today that China is "ready to join all the international community in contributing to a greater success of the U.N. peace-keeping operations."

China, which is consistently dedicated to the important cause of maintaining international peace and security, "has decided to send a small number of personnel to take part in peace-keeping operations." Yu told the special political committee of the U.N. General Assembly.

The committee Monday began considering the item of a "comprehensive review of the whole question of peace-keeping operations in all their aspects."

The debate focused on the importance of adequate financing for peace-keeping operations, the use of high technology in peace-keeping, the establishment of a war-risk center and training programs for military and civilian personnel involved in peace-keeping operations.

Commenting on these issues of peace-keeping operations, the Chinese ambassador said it is important for the United Nations to give training to the personnel involved and take other effective measures to improve the effectiveness of peace-keeping operations.

With regard to the financial issue of the peace-keeping operations, he said a sound finance is the necessary condition for a successful peace-keeping operation, adding that countries which have the financial means should bear a greater share of the burden.

In the past few years, marked progress has been made in UN peace-keeping operations. Following its dispatch of the Good Offices Mission in Afghanistan and Pakistan (UNGOMAP) and the Military Observer Group to Iran and Iraq (UNIIMOG), the United Nations also sent the Transitional Assistance Group (UNTAG) to Namibia last April to implement UN Resolution 435 for Namibia's independence.

The Chinese Government has for the first time decided to send 20 Chinese civilians as UNTAG members to help monitor the independence process in Namibia. China was admitted as a full member of the special committee on peace-keeping operations during the 43rd session of the UN General Assembly last year.

A draft resolution, co-sponsored by Argentina, Canada, Egypt, Japan and Nigeria, stresses the need to ensure a secure and sound financial basis for UN peace-keeping operations and urges all member states to pay their assessed contributions in full and on time. The draft is expected to be adopted after the debate on the question is completed.

#### **17 Nations To Attend Settlement Conference**

*OW3110130589 Beijing XINHUA in English  
0215 GMT 31 Oct 89*

[Text] Shanghai, October 31 (XINHUA)—A conference of rural authorities for management of human settlements will be held from November 1 to 4 in Shanghai. The conference will be sponsored by the United Nations' Economic and Social Commission for Asia and the Pacific and the Shanghai municipal government.

At the conference, the "network of rural authorities for management of human settlements" will be officially established and a senior-level seminar on low-income housing policies and appropriate technology will also be held.

So far, representatives from UN organizations and 24 cities in 17 countries have applied to take part in the meeting.

#### **Vice Minister Joins UNESCO Executive Board**

*OW2810222789 Beijing XINHUA in English  
1907 GMT 28 Oct 89*

[Text] Paris, October 28 (XINHUA)—Chinese Vice-Minister of the State Educational Commission Teng Teng was elected a UNESCO Executive Board member at the UNESCO 25th Assembly here this morning. He won 123 of the 157 votes.

Dr. Teng Teng, an expert in chemical engineering, now heads the Chinese delegation to the UNESCO (United Nations Educational, Scientific and Cultural Organization) session.

Another 25 representatives from other countries were also elected executive board members at the session.

UNESCO Executive Board is a managing and supervising organ during the closing period of UNESCO Assembly. Half of its 51 members, who have a four-year term, are reelected in the UNESCO biennial Assembly.

UNESCO's 25th Assembly, opening on October 17 in Paris, will last a month.

#### Symposium on Taoist Philosopher Ends in Hefei

OW2610115189 Beijing XINHUA in English  
0905 GMT 26 Oct 89

[Text] Hefei, October 26 (XINHUA)—More than 100 Chinese and foreign scholars gathered in this capital of Anhui Province to discuss the fourth century B.C. Chinese philosopher Zhuang Zi at a two-day symposium which ended yesterday.

Zhuang Zi (369 B.C.-286 B.C.) was one of the earliest Taoist philosophers.

The symposium, the first of its kind to be held in China, focussed on the topics of Zhuang Zi and modern society, and his theories of philosophy, literature, sociology and psychology.

The participants including experts from the United States, Federal Germany and Norway. [sentence as received]

The symposium heard more than 80 papers, which will be published later.

#### Symposium on Peking Man Concludes

OW2610103789 Beijing XINHUA in English  
0813 GMT 26 Oct 89

[Text] Beijing, October 26 (XINHUA)—Peking man, first discovered 60 years ago, has demolished barriers of language and politics among the 100-odd scientists from all over the world who have been attending a symposium here.

Alison Brooks, of the Smithsonian Institution in the United States, said: "Our ancestor of 300,000 to 400,000 years ago, Beijing man (and his companion Beijing woman) has provided an important stimulus to the development of paleoanthropology throughout the world."

The seven-day symposium on paleoanthropology, which ended here yesterday, was held to commemorate the 60th anniversary of the discovery of the first skull of Peking man. Scientists present reported their latest discoveries in paleoanthropological research.

The Institute of Vertebrate Paleontology and Paleoanthropology of the Chinese Academy of Sciences organized a field excursion that covered the famous paleoanthropological sites in China's loess area.

Professor Bernard Wood, of the University of Liverpool in Britain, considered that the discoveries in the loess area match the importance of Peking man.

#### United States & Canada

#### Further on Richard Nixon Visit

##### XINHUA on Jiang Meeting

OW3110160989 Beijing XINHUA in English  
1549 GMT 31 Oct 89

[Text] Beijing, October 31 (XINHUA)—Chinese Communist Party General Secretary Jiang Zemin met former U.S. President Richard Nixon here today and talked with him for 110 minutes.

Jiang expressed welcome to his guest. He said 17 years ago Nixon, with the far-sightedness and daring resolution of a statesman, contributed significantly to the opening and the development of Sino-American relations. He hoped Nixon will contribute further to such development.

The former U.S. President said he is glad to have become acquainted with Jiang.

He said U.S.-China relations are now facing serious problems. But, by following the spirit of the 1972 Shanghai Communique, the United States and China can still find common points to link them now and in the future, despite existing differences.

Jiang said: "No matter whether we hold public office or not, we all work for the interests of our own countries." Although China and the U.S. have different social systems and values, they have a common interest in safeguarding world peace and stability, and in developing economic and trade relations of equal and mutual benefit. This was true 17 years ago and is still true today.

Jiang said China "will unwaveringly pursue a socialist road suiting China's particular circumstances and with a Chinese character." He reassured Nixon that the opened door of China will not be closed again. China will not isolate itself from international intercourse.

He added: "We have always persevered in expanding friendly relations with other countries on the basis of the Five Principles of Peaceful Co-existence, and in increasing economic and technological exchanges and co-operation with other countries on the basis of equality and mutual benefit."

He said China's handling of the recent anti-government riots was entirely China's internal affair. China has never meddled in the internal affairs of other countries; nor will it allow other countries to interfere in its internal affairs.

Jiang answered questions raised by Nixon on China's reform and open policy and other issues.

He said: "We will not just pay lip service to upholding reform and the open policy, but we will also take down-to-earth steps, including the implementation of certain major projects and the improvement of relevant laws and regulations, to make them more effective."

Jiang and Nixon also exchanged views on some major international issues of common concern.

Chinese Foreign Minister Qian Qichen [and others were] was present at the meeting.

### Meets Yang Shangkun

*OW011135289 Beijing Domestic Service in Mandarin  
1030 GMT 1 Nov 89*

[From the "National Hookup" program]

[Text] President Yang Shangkun met with and feted former U.S. President Richard Nixon and his party in the Shoudi Guesthouse this evening.

Earlier, Mr Nixon called on Comrade Deng Yingchao in the Xinhua Hall in Zhongnanhai. The two had a happy chat.

### Visits Deng Yingchao

*OW011170389 Beijing XINHUA in English  
1624 GMT 1 Nov 89*

[Text] Beijing, November 1 (XINHUA)—Former U.S. President Richard Nixon visited Deng Yingchao, widow of the late Chinese Premier Zhou Enlai, at her residence here today.

Deng told Nixon that to welcome him she had told her staff to decorate the sitting room with the most beautiful butterfly-shaped flowers.

Nixon said he felt very much honored and pleased. He conveyed to Deng regards from Mrs. Nixon. Deng asked Nixon to convey her regards to his wife.

The host and the guest renewed an old friendship, and recalled the growth of relations between China and the United States and their friendly exchanges.

Deng expressed her admiration for the foresight and courage Nixon showed in opening U.S.-China relations in 1972.

Nixon said he had warm memories of the late Chinese Premier Zhou Enlai. He described Zhou as a great statesman and a great diplomat.

Referring to the difficulties now facing Sino-U.S. relations, Deng said it is not China that is responsible for this situation; it is the U.S. that has interfered in China's internal affairs.

She said the most important point of the Five Principles of Peaceful Co-existence is non-interference in each other's internal affairs.

Deng said: "An old Chinese saying goes, 'It is for the doer to undo the knot.' The U.S. should take the initiative steps."

She said she hoped that Nixon will, as an old friend of China, continue to work hard for Sino-U.S. friendship.

### Tours Beijing Street

*OW011114689 Beijing XINHUA in English  
1033 GMT 01 Nov 89*

[Text] Beijing, November 1 (XINHUA)—Visiting former U.S. President Richard Nixon walked along a downtown street here today, shaking hands, signing autographs, and distributing name cards to the friendly Chinese people he met.

"May we have many good years of peace and prosperity," said Nixon to a female Chinese worker.

Learning that the woman's son was the same age as his granddaughter, Nixon said he hoped Sino-American friendship would continue in the next generation.

First, Nixon's motorcade stopped by the Xidan department store in the middle of Xidan Street, one of Beijing's biggest shopping centers. Then he got out of his car and walked in a southward direction.

Few people recognized him until his interpreter told them, and Nixon's friendly greetings to them helped warm up the atmosphere.

Chatting briefly with an engineer, Nixon admitted that mathematics and engineering were his "poorest subjects."

After having his picture taken with a middle-aged saleswoman before a bicycle shop, Nixon told her: "You might see yourself on the TV tonight."

As Nixon walked on, more and more pedestrians and cyclists stopped to greet him, blocking the traffic at some points.

The ex-president seemed to enjoy the hustle and bustle of the shoppers. Several times he said, "Long live Sino-American friendship," winning warm applause from the crowd.

### Meets Shanghai Mayor

*OW310152989 Beijing XINHUA in English  
1453 GMT 31 Oct 89*

[Text] Beijing, October 31 (XINHUA)—Shanghai Mayor Zhu Rongji Met with former U.S. President Nixon here this evening.

They had a friendly talk on continuing the development of cooperative relations between Shanghai and U.S. economic circles.

**Angered by Media Control**

HK0111020589 Hong Kong **SOUTH CHINA MORNING POST** in English 1 Nov 89 pp 1, 10

[By Seth Faison in Beijing]

[Excerpt] [passage omitted]

During yesterday's meeting, Mr Nixon told Mr Deng that many Americans had lost respect for Chinese leaders after the events in June.

American concern over what happened, Mr Nixon said, had brought U.S.-China relations to their most difficult crisis since he first came to Beijing in 1972.

"There has never been a more difficult crisis than at the present time in those relations. Because this time the concerns developed not from those who are foes of China, but from those who are friends of China," he said.

The Chinese and American leaders' view on handling the international press, who are usually allowed to witness the opening minutes of a meeting, also differed yesterday.

Mr Nixon objected when the correspondents present were pushed out before he had a chance to make some comments that he wanted them to hear.

An exasperated Nixon aide complained to a Foreign Ministry spokesman, who agreed to let the reporters back into the room. After the aide stepped away, the spokesman apparently changed his mind.

Angered, the reporters pushed on the door until the noise was so loud that it threatened to obstruct the meeting.

Finally a single television journalist was allowed into the room, and Mr Nixon's comments about the loss of respect for China's leaders was taped.

Still not satisfied, Mr Nixon asked for the press to be allowed to wait until the meeting was over, at which time he forced his way past Chinese aides who tried to guide him away from the waiting reporters and into a luncheon.

"Where's the press?" Mr Nixon asked when he emerged from the meeting.

He compared the circumstances of his talk with Mr Deng favourably with his historic visit to see Mao Tsetung 17 years ago.

"In 1972 there was hardly anything we agreed upon.

"We disagreed about Korea, we disagreed about Japan, we disagreed about Vietnam, we disagreed about philosophy, but we did agree that neither threatened the other and that we faced a common threat in the Soviet Union. And that led to a historic rapprochement."

Mr Nixon described the 85-year-old Mr Deng as looking "fit and vigorous", but reporters present said the leader was slurring his words as in other recent meetings.

Mr Nixon also met Communist Party General-Secretary Jiang Zemin, who repeated Mr Deng's line that "China's handling of the events that happened in Beijing is entirely China's domestic affair".

"Why are some people in the States so enthusiastic in interfering in China's domestic affairs?" Mr Jiang asked.

During the 110-minute meeting, Mr Jiang assured Mr Nixon that Beijing is committed to reform and an open door policy.

"China will adopt concrete measures and actions, including implementing some large projects (in reform) and perfecting relevant laws and regulations," Mr Jiang said.

In meeting Mr Nixon on Monday, Prime Minister Li Peng also re-iterated China's hard-line position.

Mr Li stressed China's adherence to Marxism and said that China views its reform "quite differently" from some people in the West.

**Debate Over Nuclear Weapons in U.S. Viewed**

HK0111012189 Beijing **JIEFANGJUN BAO**  
in Chinese 16 Oct 89 p 3

[Article by Zhang Yuhe (1728 3768 3109): "Is There Such a Need?—Debate in the United States Over Upgrading of Production Facilities for Nuclear Weapons Resources"]

[Text] Since an accident happened in the Chernobyl Nuclear Power Station of the Soviet Union, the citizens of the United States have asked the question as if by prior agreement: Is the nuclear military industry of the United States safe? The U.S. nuclear military industry, which has been regarded as secret territory since the war, has recently been revealed little by little.

After World War II, the United States has produced a total of 60,000 nuclear warheads, for which, the Department of Energy and affiliated organizations have spent \$100 billion and the Department of Defense and affiliated organizations have spent \$850 billion in the testing, production, and deploying of nuclear weapons. The nuclear military industry has a total of 17 large bases for research, design, and production in 13 states in the United States and employs 100,000 in staff. Its total budget for the fiscal year of 1989 is over \$8 billion. If this big system were to be regarded as an business enterprise, its magnitude would be second to none in the United States. Following the involvement of congressmen and reporters, the U.S. public are surprised to learn that the potential risk of the U.S. nuclear military industry is no less than that of the Soviet Union. If no resolute measures are adopted, the disaster of Chernobyl is likely to occur in the United States at any time! Because of pressure, the U.S. Government decided that, for the sake of safety, all bases for producing

nuclear weapons resources owned by the Department of Energy and its affiliated organizations, would be closed by June of 1988.

However, the Department of Energy is not easy to deal with. If you say that our facilities are old and have potential risks, they will say replace the old then and modernize all facilities. Thereupon, the Department of Energy put forward a plan in 1988: It demanded an investment of about \$10 billion for building two tritium reactors of a new type and a base for producing plutonium. The reason put forth by the Department of Energy is that, if production facilities for nuclear weapons resources are closed, it would soon result in an inadequate stock of nuclear energy for the U.S. military, thus seriously threatening U.S. nuclear deterrent strategy. It was learned that, in coordinating and by tacit agreement, the Pentagon put out a study early in 1989, stating that the stock of tritium in the United States can only last 18 months to 2 years.

Is it true that a crisis will occur in the stock of nuclear energy for the U.S. military?

It is known to all that the most important components of a nuclear weapon include fission substances, such as uranium and plutonium, and fusion substances, such as tritium. At the moment when a nuclear bomb explodes, fission occurs in uranium and plutonium through aggregation, resulting in the release of a large amount of heat energy; tritium, which is a radioactive isotope of hydrogen, is formed through nuclear reaction, just like uranium. It is employed to produce and accelerate the fusion of nuclear warheads, thus releasing heat energy. Tritium is a key component of a hydrogen bomb. The explosive power produced by fission is far greater than that produced by fusion. Therefore, the use of tritium can make the volume of a nuclear warhead small and also assure high combat effectiveness. The biggest difference between tritium on one hand and uranium and plutonium on the other lies in the fact that the decay of tritium is faster and, with its annual rate of decay standing at 5.5 percent, it finishes its "half-life" in 12.3 years on average. This means that if it is allowed to develop naturally, it takes about 12 years for half of the tritium in a nuclear warhead to disappear. However, the vitality of uranium and plutonium is almost everlasting. The "half-life" of plutonium is 24,000 years, while the "half-life" of uranium, which has the ability to be fitted in a nuclear warhead, is 0.7 billion years.

The "Defense Observer" of the United States revealed recently that the U.S. current stock of uranium, which has the ability to be fitted into nuclear warheads, is 500 tons. In 1964, President Johnson declared that the United States had absolutely adequate uranium. Since then, the United States has stopped the production of uranium. Now, the number of U.S. nuclear warheads is smaller than in 1964. Therefore, the current demand for uranium is certainly less than that at that time. Moreover, the United States has planned to retire the 700

nuclear shells deployed in Western Europe. It is estimated that between 30,000 and 45,000 kg of uranium can be recovered from them. The United States currently has 100 tons of plutonium. In January 1988, the then Energy Secretary testified in Congress, saying: The quantity of plutonium possessed by the United States "exceeded the actual needs". Obviously, the problem of inadequate plutonium or uranium does not currently exist in the United States.

Then, has a crisis occurred concerning the source of tritium in the United States? Not long after the release of the Pentagon study that tritium can only last between 18 months and 2 years, Samuel Nunn, chairman of Senate Armed Services Committee, released an investigation report in March 1989, saying: Concerning tritium, "it is very possible that it will last us another period between 18 months and 2 years." More interestingly, it is reported that the Department of Energy hopes to sell 230 grams of tritium to private enterprises and research institutions for business use and medical scientific research in the fiscal year of 1989. Thus, the remark of inadequate supply of tritium is ridiculous. Even though there are real difficulties in the supply of tritium, various remedial measures can be used. For example, the recovery of tritium from retired nuclear warheads is one of the remedial measures.

Obviously, the Energy Department's proposal about modernizing military nuclear energy production facilities need not be carried out. Many U.S. experts pointed out: The proposal of the Department of Energy on investing \$10 billion is merely a rough estimate. According to the calculation by the U.S. General Accounting Office, the construction of the two tritium reactor projects as put forward by Department of Energy requires an investment of \$38.3 billion. Furthermore, the General Accounting Office pointed out that, currently, the United States does not urgently need to build new military nuclear energy projects but should deal with nuclear pollution. The cost for dealing with nuclear pollution requires at least \$100 billion. Therefore, people insightfully pointed out that it is better to spend money on improving the environment than on producing new fallout.

**Column Condemns U.S. Interference in Nicaragua**  
HK2910071889 Beijing RENMIN RIBAO in Chinese  
24 Oct 89 p 3

[*"International Jottings"* by Yan Zhong (1750-1813):  
"The Logic of Might"]

[Text] U.S. President Bush signed a bill on 21 October, offering \$9 million of "aid" to the Nicaraguan opposition party to enter into next February's elections. This move of the United States has incurred condemnation by the Nicaraguan National Assembly. Nicaragua demanded that the United States respect the resolution of the summit of five Central American countries, not interfere in the progress of Nicaraguan elections, and

hand the money over to the International Support and Examination Committee to promote peace and democracy in Central America. This proposal, which is fair and reasonable, is conducive to coordinating the relations between the United States and the Central American countries.

However, the United States believes only in the logic of power. It is the United States which made use of its money to meddle in the internal affairs of Nicaragua. But a White House spokesman said in a statement that the purpose of the money allocated to the Nicaraguan opposition party is to ensure "genuine, free, and fair elections" there. We may like to ask, on what does the United States base the flagrant interference in the internal elections of a sovereign state? In the eyes of certain U.S. rulers, mutual respect for state sovereignty and no interference in each other's internal affairs are cast to the winds.

When a debate was held by the House of Representatives on the bill, the members who favored offering "aid" to the Nicaraguan opposition party believed that, without the aid, the Nicaraguan opposition party would "definitely suffer a defeat." With the dollars from Washington, however, "victory will be within grasp" of the people whom they support. This is the United States' wishful thinking. To date, the United States has presented at least hundreds of millions of dollars to the Nicaraguan anti-government armed forces. What about the results? The dollar is not omnipotent.

In fact, flaunting the banner of "supporting democracy," there are numerous examples of the United States interfering in the internal affairs of other countries with its greenbacks held out. Nevertheless, the Washington's method doesn't seem to work. Instead, it has encountered condemnations, each one stronger than the other, because, times have changed.

#### Export-Import Trade Fair Ends in New York

OW2810104189 Hefei Anhui Provincial Service  
in Mandarin 1000 GMT 14 Oct 89

[From the "Provincial Hookup" program]

[Text] In order to explore the international oceanic market, a provincial delegation for foreign economic relations and trade, led by Wang Qinghua, chairman of the provincial Foreign Economic Relations and Trade Commission, held an Anhui export and import commodity fair in New York from 11 through 15 September. After the fair, the delegation visited other U.S. cities in eight separate groups to continue negotiations on export trade and economic and technical cooperation projects. All members of the delegation returned to Anhui recently upon successful completion of their assignment.

While in the United States, members of the delegation held the fair in New York and conducted business in several other places. The delegation discussed with the

U.S. side the issues of export trade and economic cooperation, and negotiated trade while carrying out market surveys and studies. During the fair, some 1,700 products were displayed. Trading was conducted in diverse and flexible forms, with a total of \$17.36 million in export and import transactions concluded. The delegation has scored remarkable achievements.

The Anhui export and import commodity fair was held amidst economic sanctions imposed on China by some Western nations following the quelling of the counter-revolutionary rebellion in Beijing. The fair was also the first large Chinese regional economic and trade activity held in the United States recently.

The fair was visited by a continuous stream of foreign businessmen and held in a lively atmosphere. All members of the delegation worked hard day and night. The fair dispelled the misgivings among some businessmen about China's political situation.

A senior official of the Chinese Consulate General in New York believes that the Anhui export and import commodity fair has not only increased China's export and import trade with the United States, but also provided extensive publicity about China's continuing policy of opening to the outside world.

#### Shanghai Firms Negotiate Joint Aircraft Venture

OW2111050289 Beijing XINHUA in English  
0237 GMT 1 Nov 89

[Text] Shanghai, November 1 (XINHUA)—A joint aircraft production venture is under negotiation between the Shanghai Aeronautics Industrial Company (SAIC) and the McDonnell Douglas Corporation.

This was disclosed by General Manager of the Shanghai company Jing Teyuan yesterday afternoon at a ceremony for delivering the 10th MC-82 passenger plane coproduced by the company and the McDonnell Douglas Corporation to the Shanghai Oriental Airlines, which has already bought seven such planes.

According to a contract between the company and the corporation signed in 1985, 25 MD-82 passenger planes will be coproduced by 1991.

Jing said the 2 sides are negotiating on producing another 20 such planes after 1991.

#### Guam Diplomat Elena Yee Pays Visit

##### Praises Market

OW3110153089 Beijing XINHUA in English  
1237 GMT 31 Oct 89

[Text] Beijing, October 31 (XINHUA)—A leading American industrialist said the potential of the Chinese market "can hardly be matched in other countries," and she sees no indication which shows investment here is riskier than in other countries.

Elena Yee, ambassador at large of Guam, told participants to the just concluded symposium on cooperation between China and the Asian-Pacific region that the industrious, resourceful and intelligent Chinese people are endowed with superb cultural traditions and a stable government with responsibility and vitality.

Cooperation within the Asian-Pacific region and the maintenance of the region's developing momentum should be based on full consideration of China's role in the process, she said.

"From a long-term point of view, the advantages of investment in China are rather obvious," she stated, adding that "to a far-sighted entrepreneur, it is worthwhile to venture into a large market such as China's."

At the symposium, Yee suggested that a regional investment committee and an Asian-Pacific cooperation fund be set up to undertake studies, planning and investment in and cooperation with China.

She promised to play her due role in the committee and give full support to such activities.

Her suggestion was well received by the entrepreneurs and industrialists from 22 countries and regions present.

#### Meets Zheng Tuobin

*OW2810111989 Beijing XINHUA in English  
0925 GMT 28 Oct 89*

[Text] Beijing, October 28 (XINHUA)—Zheng Tuobin, Chinese minister of foreign economic relations and trade, met here this afternoon with Elena Yee [name as received], heiress of Eli Lilly Company and ambassador at large for Guam of the United States.

Elena Yee arrived here at the invitation of Sheng Jueren, vice minister of foreign economic relations and trade, for attending the symposium on China and Asian-Pacific economic and trade cooperation held in Beijing.

During her stay in China, Madam Yee will discuss issues with Chinese departments concerned on investment, airliner rent service and cooperation in banking, finance and publishing businesses.

Yee also plans to set up a Chinese department store in America and a panda foundation in the U.S. for China.

Yee will tour other cities of China.

#### Soviet Union

**Heilongjiang Signs Accord With Lawyer's Offices**  
*SK0111042189 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 31 Oct 89*

[Text] A ceremony for the Heilongjiang Provincial lawyer's office of China and the second specialized lawyer's office of the Maritime Kray of the Soviet Union to sign an agreement on establishing friendly and cooperative

ties was held in Harbin on the evening of 31 October. (Li Dengrong), director of the Heilongjiang Provincial lawyer's office of China, and (Smoliskiy), director of the second specialized lawyer's office of the Maritime Kray of the Soviet Union, signed and exchanged the texts of the agreement.

The purpose of the agreement is to develop the economies of both countries, strengthen the exchanges and cooperation between the lawyers of the two regions of the countries, and provide better legal service to the trading, economic, and technological cooperation between Heilongjiang Province and Maritime Kray. The agreement states: "Both sides establish the relations of mutual entrustment, and follow the laws of their respective countries when carrying out legal work. [Words indistinct] cases involving the laws of the country of the other party will be handled by the lawyers of the office of the other party."

#### Northeast Asia

##### Zhejiang Governor Meets Japanese Executives Group

*OW3010145389 Hangzhou ZHEJIANG RIBAO in Chinese 7 Oct 89 p 1*

[Text] Governor Shen Zhulun met with Kanji Murase, president of Japan's Showa Concrete Company, and his party at Hangzhou's Shangri-la Hotel last night.

At the meeting, Governor Shen Zhulun spoke highly of Showa Concrete Company for investing in Hangzhou Friendship Hotel and the company's efforts in promoting bilateral cooperation. He also congratulated Yashuhiro Mizuno, Japanese-side manager of Hangzhou Friendship Hotel, who received the honorary certificate of foreign expert from China's Foreign Experts Bureau on the occasion of the 40th anniversary of the founding of PRC.

President Murase and his company were in Hangzhou to celebrate the third anniversary of the opening of Hangzhou Friendship Hotel. Zhao Jiafu, director of the provincial Foreign Affairs Office, was present at the meeting.

##### Japanese Economist Urges Widened Market

*OW3010180689 Beijing XINHUA in English  
1517 GMT 30 Oct 89*

[Text] Beijing, October 30 (XINHUA)—A Japanese economist urged his government today to open its market wider to Chinese imports by easing trade restrictions, cutting tariff rates and increasing quotas.

Shoichi Moroguchi, president of Japan-China Association of Economy and Trade, told a symposium in Beijing on business co-operation between China and the Asian-Pacific region that Japan should also strive to promote technology transfers to China in a bid to resolve bilateral trade imbalances.

Citing Japanese customs figures, Moroguchi said bilateral trade has made great headway. In 1988, it totalled 19.3 billion U.S. dollars, 18 times more than it was when Japan-China relations were restored to normal in 1972.

He noted that exports of Japanese machinery to China are increasing while its exports of chemical products, fertilizers in particular, are decreasing. Japanese exports of consumer goods, such as home electronic appliances, are showing signs of dropping sharply after reaching a peak in the mid-1980s.

Moroguchi said the proportion of China's primary exports to Japan is declining while that of manufactured goods is rising.

Trade between the two countries has great potential and prospects if current imbalances can be corrected by greater improvement in China's investment and trade climate.

Both countries want to expand trade, Moroguchi said, since China's rich and cheap labor is attractive to Japanese businesses while China needs Japanese investment, advanced technology and managerial skills.

The economist said that as the U.S.-Canada Free Trade Agreement will come into force this year and the European Community is moving towards a single market in 1992, Asian countries and regions should bring their special features and advantages into play and then form a system of horizontal division of labor. This would be conducive to regional development and trade.

### DPRK Provincial Delegation Arrives in Jilin

SK3110023489 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 29 Oct 89

[Text] At the invitation of the Jilin Provincial CPC Committee, the six-member delegation of the Yanggang Provincial Workers' Party of Korea [WPK] Committee of the DPRK, which is headed by Comrade (Ko Yun), secretary of the DPRK provincial WPK Committee, arrived in the city of Changchun on the morning of 29 October to pay a (?15-day) visit to our province.

Greeting the DPRK delegation at the railway station were Du Qinglin, deputy secretary of the provincial party committee; (?Guan Yongji), secretary general of the (?provincial party committee); and Zhu Xianying, deputy director of the provincial foreign affairs committee.

On the evening of 29 October, Comrade Du Qinglin, deputy secretary of the provincial party committee, received and feted all comrades of the DPRK delegation at the Nanhu Guesthouse. During the reception, Comrade Du Qinglin expressed welcome to the friendly visit of the DPRK delegation and briefed the delegation on the province's situation in industrial and agricultural production, on the province's achievements scored in conducting reform and opening to the outside world over

the past 10 years, and on the PRC's measures in (?quelling the counterrevolutionary riot, which were warmly supported by the WPK and the DPRK).

Following its visit in Changchun City, the DPRK provincial delegation will pay a visit to the city of Jilin and (?Yanbian Chaoxian Autonomous Prefecture).

### Trade Assets, Difficulties With Mongolia Viewed

HK3110044589 Beijing GUOJI SHANBAO in Chinese  
5 Oct 89 p 3

[Article by Zhang Yanlin (1728 3601 2651) of GUOJI SHANBAO: "Enthusiastically And Steadily Develop Sino-Mongolia Economic Relations and Trade"]

[Text] Trade between China and Mongolia started in 1951 when the two countries signed a trade protocol. In 1986, the two sides signed a trade agreement governing bilateral trade from 1986 to 1990. This was the first long-term trade pact after the two nations established trade links in 1951, so it bore significant meaning in further promoting two-way trade. In 1988, the two sides revised the agreement and signed another pact governing the "mutual conditions for the delivery of goods." In 1989 they set up a governmental commission on economic, trade, and scientific and technological cooperation. The trade protocol, the trade agreement, and the commission have all laid a good foundation for continued trade between China and Mongolia.

### Sino-Mongolian Trade Increases Faster in the 80's

Reviewing the development of Sino-Mongolian trade in the past 30 years, we can say that Sino-Mongolian trade went through three stages: expanding (1951-1961), falling (1962-1976), and restoring and rising steadily (1968-1989). The volume of trade reached its peak in 1960, totalling U.S.\$4.192 million. The lowest trade figure was recorded in 1967, at U.S.\$0.81 million. After 1968, bilateral trade began to resuscitate, with the annual volume registering between U.S.\$6.50 million and U.S.\$10 million, the rate of growth being very slow. Since the 80's, as a result of an improvement in bilateral relations, two-way trade under the trade agreement reached U.S.\$14.22 million. But the growth was mainly due to the rise of railway transportation expenses for goods transiting through Mongolia. That is to say that our side exported more products to Mongolia as a way of paying for the transportation costs for using Mongolian railways to import goods from the Soviet Union and other East European countries. Trade not governed by the pact grew faster than that governed by it, with the volume amounting to U.S.\$15.52 million in 1988. These two kinds of trade recorded a combined U.S.\$29.74 million in 1988, the highest in 20 years. Two-way trade could reach U.S.\$35 million in 1989.

### **Our Export Products Are Popular On Mongolian Markets**

In 1989, our country exported approximately 190 kinds of products to Mongolia. They were mainly textiles, light industrial products, electronic products and chemical industrial products. These exported goods included garments, shirts, sports outfits, canvas, silks and satins, hot water bottles, thermos bottles and fruits. These products are all welcome in the Mongolian market places. We imported more than 100 kinds of products from Mongolia, 8 of which were imported under the terms of the trade agreement. These items included horse hides, marmot skins, wooden planks, deer tails, and antlers. The remaining items were conducted in border trade or by large companies swapping goods outside the trade agreement. The major products in this category were chemical fertilizers, scrap steel and iron, aluminum, scrap copper, scrap aluminum, scrap paper, newsprint, pig iron, used tires, carpets, woolen garments, pelts and hides, reinforcing rods, steel cable, concrete, camel hair and wooden planks. These products are well-received in our country.

### **Border Barter Trade Expands**

While the two countries actively pursued government-to-government trade, the Nei Mongol Autonomous Region has been engaging in border trade with Mongolia since 1985. Xinjiang Uygur Autonomous Region also established border trade with two areas in Mongolia in 1988. In addition, Chinese companies headquartered in China also conducted barter trade between the head office and its affiliated office in Mongolia. Trade outside the Sino-Mongolian trade agreement was conducted mainly through the above channels.

The salient feature of barter trade additional to the trade agreement is that it is conducted in a more flexible way. Imports and exports are calculated together, profits and losses compensate each other, and buying takes place along with selling. This is like killing two birds with one stone. Furthermore, it is very convenient for both sides because they are not restricted by time or place, and can discuss and transact business whenever they want to depending on the goods available and their needs; and because the simple method of directly bartering goods of equal value as they want to depending on the goods available and their needs; and because of the simple method of directly bartering goods of equal value, the transaction does not go through the bank, thus both sides avoid having haggle over prices. The two sides need only to discuss the ratio and quality of the exchange, calculate their respective profits, then a deal will be made if they think it is worthwhile.

Reviewing the expansion of the barter trade outside the Sino-Mongolian trade pact, one cannot but help feeling surprised by the speed and size of the growth, and by the fact that it has far exceeded the trade volume under the pact.

In 1985, the volume of the first batch of barter trade reached only U.S.\$0.37 million. The figure rose to U.S.\$5.63 million in 1987, an expansion of 15 times over the volume of 1986. The figure in 1988 was U.S.\$15.52 million, a growth of 300 percent over 1987. The forecast for 1989 is U.S.\$23.7 million, an increase of 150 percent over 1988.

The boom in border trade, coupled with the promotional efforts and assistance of the commercial section of our embassy in Mongolia, has prompted several companies headquartered in China to switch attention from trying to gain more quotas under the trade pact to enthusiastically expanding barter trade. In 1988, a company dealing in imports and exports of five varieties of mineral resources paid its first visit to Mongolia and signed a contract for U.S.\$1.78 million that year. This year 6 companies signed contracts with Mongolia for a total of U.S.\$3.4 million. This statistic equals 80 percent of the volume that our government imported from Mongolia in 1989 under the terms of the trade agreement.

### **Major Existing Problems**

(1). Difficulty in imports, inadequate supply of goods. Mongolia has limited items to export. Most of its major products are sold to countries with which it has economic, preferential treatment. At present, 97.6 percent of Mongolia's exports go to socialist countries, and 96 percent of this trade receives preferential treatment. Mongolia has been stressing the protection of its natural environment, thus limiting and reducing the exports of raw materials to our country. Items to be exported to our country under the trade agreement are becoming fewer and fewer, and the supply of some of its items, such as raw wood, cashmere wool, and sheepskin leather, have stopped. At the same time, they demand that we accept their finished or semi-finished products, such as semi-precious stones, charcoal, white wine, wool blankets and leather jackets. These items are our own major export items. Because of the lesser quality of Mongolian products and our domestic transport problems, no transactions have taken place yet.

Mongolia has a shortage of daily necessities. Our export products meet their needs and transportation for these products is easy because of the short distance. Thus, Mongolia has taken an active role in expanding trade as part of its efforts to seek ways to get supplies of goods. This is very beneficial to us. Therefore we should actively use this favorable opportunity to expand trade with Mongolia.

Because the supply of goods in barter trade is unstable, the quantity thus fluctuates. Therefore, there exists the need for concerned companies to know the product and market situations well. They should also take note of the demands of our domestic market and not be afraid of problems in their pursuit of flexible trade.

In addition, efforts should be made to explore trade through transit points. This is a market with great potential and Mongolia is keen on pursuing it. At present

our imports of Soviet products through Mongolia represent 30 percent of the total volume, including chemical fertilizer, steel, iron ore and aluminium. We can also search for raw materials and products for processing, which are of interest to Mongolia.

(2). Price problems. For years Mongolia has been used to not changing the prices of old products. But in recent years concerned companies on our side have asked the Mongolian side on four occasions to lower the price of wooden planks in accordance with the price fluctuations on the international market. In response, Mongolia has demanded mutual adjustment of prices. We should evaluate this situation comprehensively.

(3). Lack of unity towards the outside as well as internal competition affect transactions. This problem is more prominent in border trade. Following the rapid development of border trade and the increase of trading posts, a phenomenon has occurred giving rise to redundant management practices and internal competition. It is suggested that we strengthen the management and coordination of border trade with Mongolia, and establish a specialized agency to oversee trade. We should also control prices by regularly announcing the highest import price, the lowest export price, and the range of price fluctuations. We should allow head offices dealing in foreign trade to coordinate prices.

#### New Development in Sino-Mongolian Economic Cooperation

There is no history of economic cooperation between China and Mongolia. Therefore we can say that the current economic cooperation occurs as a result of new historical conditions at present. It is simply a new development in the trade relationship.

There are nine trade protocols, documents of intent, or contracts. Six of them were signed between Mongolia and Nei Mongol Autonomous Region. These six form the emphasis in the economic cooperation we have with Mongolia. They cover the following categories: technical cooperation in vegetable growing and storage; manufacturing of a toilet paper plant; a small-scale wax factory; a small-scale toothpaste factory; a small-scale brick and tile factory; and processing of Mongolian pigskin and camel hides.

Nei Mongol has sent a team to Mongolia to look into the feasibility of growing vegetables, and building a brick and tile factory. Further negotiations are underway.

In addition, we have signed some construction contracts with Mongolia under which we were entitled to tender bids and build. We signed these contracts on the basis of equality and mutual benefit, assumption of sole responsibility for profits and losses, and self-balance. The contracts were:

(1). A contract for the construction of a tourist center in Mongolia. Originally Japan's Santoku Trading Co. was contracted to build the center, but later China offered a

bid to build part of the construction and got it. The cost of this part of construction, estimated at U.S.\$800,000, will be paid by the Japanese side. The construction will take 8 months to complete, to be finished by 31 January 1990. Nei Mongol's First Construction Co. has sent more than 70 workers to Mongolia. At present work is progressing well.

(2). The maintenance and repair of the Ulaanbaator guest house. This contract was signed by Nei Mongol's First Construction Co. and Mongolia's National Tourism Bureau. The project will take about 3,000 working hours to complete. Mongolia is paying 150,000 Tugrik for it. Because our workers have done overtime, the quality of the construction is high and the speed is good. Mongolia was very pleased with this and said: "Chinese workers of the 50's have returned."

(3). Construction of a kindergarten in Ulaanbaator. The contract for this was signed by China Comprehensive Equipment Export Company in June this year. The site will have 1,605 square meters, and the total investment will be 1.6 million Tugrik (about U.S.\$530,000). Mongolia will pay 30 percent of the cost in Tugrik, 70 percent with products. The project is in its preparatory stage now, and China is scheduled to dispatch workers to Mongolia in October 1989.

Because of its inability to pay in hard currency, Mongolia cannot afford to import equipment or engage outside help for its construction projects. Therefore, we must clarify the problem of payment first. We propose the method of "composite payment," namely "hard currency plus Mongolian currency plus products and raw materials." The percentage of payment can be worked out through negotiations by both sides.

#### Near East & South Asia

##### Editorial Views 'Arafat's Visit, PLO Policies

HK0111052789 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No. 43, 23 Oct 89 p 8

[Article by Shi Linbai (2457 5259 2672): "'Arafat's Visit to China Attracts Attention']

[Text] Yasir 'Arafat, who is known to the Chinese people as an unremitting fighter for the Palestinian liberation cause, paid his seventh visit to China at the beginning of October, this year. Nonetheless, it is the first official visit paid by Yasir at the invitation of Chinese President Yang Shangkun since the State of Palestine was established. During his visit, Yasir 'Arafat was warmly entertained by the Chinese leaders and people.

At about 1000 on the morning of 5 October, the Fujian Hall in the Great Hall of the People in Beijing was brilliantly illuminated. There, Chairman Deng Xiaoping cordially met with President Yasir 'Arafat of the State of Palestine. When he was still 6 or 7 meters away from Chairman Deng Xiaoping, President 'Arafat held out his

arms and walked rapidly forward to embrace Chairman Deng Xiaoping and said in Chinese: "How are you?"

Deng Xiaoping smiled and said "We are old friends. You and your delegation are welcome to visit China." Deng Xiaoping added: "Over the past several decades, we have trusted each other and supported each other. Our relations are by no means ordinary relations. Our friendship will last forever."

Deng Xiaoping also spoke highly of the relatively flexible policies adopted by the PLO in the last few years. Deng Xiaoping said: "In our view, the relatively flexible policies adopted by the PLO in the last few years are conducive to the PLO. These new policies will definitely help the PLO win more friends in the world, consolidate national solidarity and unity within the PLO, and isolate the PLO's enemy."

When seeing Chairman Deng Xiaoping, 'Arafat was extremely excited. 'Arafat said: "I am an old friend of China. China is a big country in the world. I will never forget the moment when the late Abu Jihad and I first came to China to brief the Chinese leaders on our Palestinian revolutionary struggle." 'Arafat said that he will never forget China, nor will he forget the friendship the Chinese people have consistently accorded the Palestinian people.

Yasir 'Arafat was born in Jerusalem on 27 August, 1929 and is a Muslim. When he was young, he took part in the Arab National Liberation Movement and once studied and received training in Egypt. In 1951, together with Abu Jihad and others, Yasir 'Arafat established "Fatah," the biggest Palestinian guerrilla force, and the "Storm Commando," an armed organization under "Fatah" as well. "Fatah" launched its first commando operations against Israel on 1 January, 1965. Since 1965, Yasir 'Arafat has been chairman of the PLO Executive Committee. On 2 April, 1989, at a PLO Central Committee meeting, Yasir 'Arafat was elected president of the State of Palestine. Yasir 'Arafat, a man devoted to his cause, still remains a bachelor.

During his recent visit to China, in addition to meeting with Chairman Deng Xiaoping, Yasir 'Arafat also held talks with Jiang Zemin, General Secretary of the CPC Central Committee, Yang Shangkun, president of the PRC, and Li Peng, premier of the PRC State Council.

During 'Arafat's recent visit to China, the Chinese Government reiterated her stand on settling the Middle East question. During his talks with President Yasir 'Arafat, Chinese Premier Li Peng announced a five-point proposal of the Chinese Government for settling the Middle East question, which consists of: (1) The Middle East question should be settled through political means. All parties concerned should not resort to force in settling the Middle East question; (2) China supports the idea of holding an international peace conference on the Middle East question under the auspices of the United Nations. The international peace conference on the Middle East question should be attended by all the Five Permanent Members of the U.N Security

Council; (3) China supports all the parties concerned in the Middle East to hold dialogues among themselves at a time appropriate to themselves, including direct dialogues between the PLO and Israel; (4) Israel must stop its suppression of the Palestinian residents living in the Israeli-occupied Arab territories and withdraw from all the Arab territories it has occupied so that accordingly, the safety of Israel will also be guaranteed; (5) The State of Palestine and the State of Israel should extend official recognition to each other. The Arab nationality and the Jewish nationality should coexist with each other in peace.

During 'Arafat's recent visit to China, the Chinese leaders and the Palestinian leaders also briefed each other on the recent developments in their respective countries. China reiterated her resolute support to the just struggle waged by the Palestinian people and highly valued the pragmatic and flexible policies adopted by the PLO in the last few years.

During his talks with the Chinese leaders, Yasir 'Arafat said that China has always been a true friend of Palestine. Yasir 'Arafat also time and again expressed his gratitude to China's long-standing support to Palestine.

When briefing the Chinese leaders on the current domestic situation of the State of Palestine, Yasir 'Arafat said: "Whenever we come across difficulties or plan to make some major decisions, we always come to China to seek support and listen to the advice of the Chinese leaders. At present, the Palestinian struggle is still at the crossroads. This is why we have come to listen to your advice."

When commenting on the situation in the Israeli-occupied Arab territories, Yasir 'Arafat said that the State of Palestine is now in a very difficult position. It is 3 years now since the Palestinian people in the Israeli-occupied Arab territories launched their first uprising against the Israeli aggressors. Over the past 3 years, the Palestinian people have suffered heavy losses: Some 1,000 Palestinian people have been killed; more than 47,000 Palestinian people have been wounded; over 6,500 Palestinian people have become handicapped; more than 500 Palestinian women have miscarried; more than 63,000 Palestinian people have been put in jail or in the concentration camps by the Israeli authorities; several thousand hectares of farmland and several thousand houses of the Palestinian people have been destroyed; trading and agricultural activities of the Palestinian people have come to a standstill; the average monthly economic losses sustained by the Palestinian people in the Israeli-occupied Arab territories now amount to \$100 million. Recently, the Israeli authorities have also adopted a policy combining starvation with an iron fist toward the Arab territories it has occupied. The United States has always backed Israel in all these acts. Under such circumstances, the PLO has recently passed a resolution on adhering to the principle of uprising and stepping up its resistance struggle.

As soon as the State of Palestine was established, it was recognized by more than 100 countries in the world. This is indeed a major victory for the Palestinian people. Although they still have to tackle a lot of difficulties on

their way forward, we believe that under the leadership of President Yasir 'Arafat, the Palestinian people will certainly win their final victory in the end.

**Minutes From Bangladesh Economic Meeting Signed**

*OW3110130989 Beijing XINHUA in English  
0842 GMT 31 Oct 89*

[Text] Beijing, October 31 (XINHUA)—The agreed minutes of the fifth session of China-Bangladesh Joint

Commission on Economic, Trade, Scientific and Technological Cooperation, held in Beijing from October 27 to 31, was signed here this afternoon.

On behalf of respective governments, Lu Xuejian, Chinese vice-minister of Foreign Economic Relations and Trade, and Enam. A. Chaudhury, secretary of the external resources department of the Ministry of Planning of Bangladesh, signed the document.

**Political & Social****Police Replace Martial Law Troops in Tiananmen****XINHUA Report**

*OW011120189 Beijing XINHUA in English  
1138 GMT 1 Nov 89*

[Text] Beijing, November 1 (XINHUA)—At zero hour Beijing time today [1 November], Beijing's martial law enforcement troops at Tiananmen Square were replaced by Beijing's Armed Police.

The two sides held a brief changing of the guard ceremony at the Monument of the Revolutionary Martyrs and other places.

The Beijing Municipal People's Government and the martial law enforcement troops headquarters of the Chinese People's Liberation Army said that the measure was taken because of the stable situation in the Chinese capital and because the social order of the city has been basically restored.

All the martial law sentries posted along overpasses and at crossroads were withdrawn on October 30.

An officer of the martial law enforcement troops said about three million Chinese and foreign tourists have visited the square since June this year.

**Beijing TV Report**

*OW3110143789 Beijing Television Service  
in Mandarin 1100 GMT 31 Oct 89*

[From the "National News Hookup" program]

[Text] [Video shows wide shot of seven soldiers walking out of a tent, followed by wide shots of several soldiers standing guard on overpasses, medium shots of about a dozen soldiers standing in formation and saluting, and medium shots of two soldiers folding a tent and several others sweeping the ground]

Acting in accordance with Order No 17 issued by the Beijing Municipal People's Government and the martial law enforcement troops' command, all the martial law enforcement troops on guard duties on Beijing's major road intersections and overpasses left their sentry posts at 1930 last night.

In early June, the martial law enforcement troops entered Beijing to stand guard at major road intersections and on various overpasses. For nearly 5 months afterward they strictly executed orders, conscientiously abided by discipline, braved storms and summer heat, showed no fear of bloodshed and sacrifice, and made great contributions to the rapid restoration of normal work order and life in Beijing.

The reporters saw the martial law enforcement troops holding a brief withdrawal ceremony on the (Fuxingmen) overpass last night before they left their sentry posts there.

They saluted the sentry posts for the last time, walked their last beat in the patrol zone, swept the station clean, and dismantled all the temporary buildings.

Some martial law enforcement troops will join the police and Armed Police in the continued enforcement of martial law in the suburban areas and some of the urban areas in Beijing.

**Further on NPC Standing Committee Meeting****Corruption Discussion Continues**

*OW3110043789 Beijing XINHUA Domestic Service  
in Chinese 1510 GMT 30 Oct 89*

[“Local Broadcast News Service”]

[Text] Beijing, 30 Oct (XINHUA)—The 10th Meeting of the 7th National People's Congress [NPC] Standing Committee broke into groups in the past few days to discuss reports of the Supreme People's Court, Supreme People's Procuratorate, and Ministry of Supervision on the implementation of the “circular” on waging struggle against graft, bribery, and other phenomena of corruption.

Yi Meihou, member of the NPC Standing Committee, said: After hearing the three reports of the Supreme People's Court, Supreme People's Procuratorate, and Ministry of Supervision, I deeply realized that Comrade Deng Xiaoping's instructions on “the need to punish the corrupt while persisting in carrying out reforms and opening to the outside world” and the decision of the party Central Committee Political Bureau calling for doing several things of concern to the masses in the near future are absolutely correct and timely.

Li Ruishan, member of the NPC Standing Committee, said: Judging from the reports of the Supreme People's Court, Supreme People's Procuratorate, and Ministry of Supervision, a lot of work has been done, and results have been achieved. But this is just a good beginning. The task is a long-term one, and it is arduous. Efforts must not be relaxed in the least in opposing corruption and maintaining a clean government. In addition to special organizations that are making vigorous efforts to carry out this task, leaders of party, government, and Army organizations, institutions, relevant departments and personnel, and discipline inspection departments should also work together to do this job. Only thus will it be possible to achieve remarkable results. Although no mass movement should be started for this work, it is necessary for us to rely on the masses, arouse them, and listen to their opinions. In addition, some systems need to be instituted. Several regulations laid down recently are very good. Some more regulations should be formulated according to specific conditions so that they can be conveniently implemented under mass supervision.

Wu Juetian, member of the NPC Standing Committee, said: A breakthrough has been made in the reports of the Supreme People's Court, Supreme People's Procuratorate, and Ministry of Supervision, but what has been done

is not enough. Where have some of the senior cadres' children obtained their foreign exchange? It is said that foreign businessmen illegally took a large amount of foreign exchange out of the country. Where did they get this foreign exchange? In addition, why can gambling not be prohibited in some localities. It is said that a case is closed when a gambler pays his fine, and then he just continues to gamble again. Why have some major or serious cases not been investigated and dealt with? I think that when the entire party and the whole country are aroused, the struggle against corruption can be carried out effectively.

Wang Yongxing, member of the NPC Standing Committee, said: The anticorruption achievements should not be overestimated. Anticorruption is still a blind spot in some localities. According to reports by members of the masses, the houses repaired by some cadres (referring to department or bureau directors) have enough space to accommodate several generations of their relatives. Such problems are rather complicated, and the means used by those cadres are also rather clever. I think that we should make vigorous efforts to tackle such problems.

Cho Ryong Ho, member of the NPC Standing Committee, [name and position as received] said: Facts cited in the reports of the Supreme People's Court and the Supreme People's Procuratorate show that the large number of grafters, bribers, and profiteers and the huge amount of money involved are unprecedented in the history of our country. True, there are many reasons for such phenomena, but when we view these phenomena from the standpoint of relevant leaders of the central authorities, we should do some hard thinking. For example, some people have taken advantage of loopholes in economic restructuring or the double-track pricing system to offer or take bribes or to profiteer. When policy decisions were made in this manner, not enough attention was paid to such problems. It is suggested that leaders at various levels seriously examine mistakes in work, stop up all the loopholes of corruption, and eliminate its root causes. In dealing with corrupt elements, it is necessary to take the economic confusion over the past few years into consideration and combine leniency with severity; some problems should be carefully handled by taking specific conditions into account, such as whether a bribe is offered because of difficulties in production or management or for other reasons.

Wang Yaolun, member of the NPC Standing Committee, [position as received] said: Most economic criminals who have long succeeded in staying hidden are influential people. The masses are talking about this behind their backs, but no one dares to inform against them lest they retaliate against the informer. It appears that further protective and reward measures should be adopted to encourage healthy trends and check unhealthy ones.

### 31 Oct Proceedings Summarized

OW3110224689 Beijing XINHUA Domestic Service  
in Chinese 1313 GMT 31 Oct 89

[By reporters He Ping (0149 1627) and Zhang Sutang (1728 1372 1016); "Local Broadcast News Service"]

[Text] Beijing, 31 Oct (XINHUA)—The "Law of the People's Republic of China on Mass Rallies, Processions, and Demonstrations" was passed at the 6-day tenth meeting of the Seventh National People's Congress [NPC], which closed at the Great Hall of the People this afternoon.

Wan Li, chairman of the NPC Standing Committee, presided over the meeting.

Wan Li said: A total of 150 deputies were expected to attend today's meeting. However, only 119 deputies actually attended because 31 took sick or other forms of leave of absence. We did have a quorum however.

The law, which is divided into 5 chapters and 36 articles, covers general principles, the procedure for applying and receiving approval for such gatherings, methods of holding them, legal responsibilities, and supplementary articles.

When the "Organic Law of the People's Republic of China on Urban Residents Committees (draft)" was put to the vote, it failed to pass, because the deputies differed in opinion on the wording of a passage in one of its articles.

After voting, the participants at the meeting also endorsed the reports submitted by the NPC's Nationalities Committee, Law Committee, Internal and Judicial Affairs Committee, Financial and Economic Committee, Education, Science, Culture and Public Health Committee, and Overseas Chinese Affairs Committee of the National People's Congress on how these committees handled the motions forwarded to them by NPC deputies during this year's NPC annual session.

Ji Pengfei, chairman of the Hong Kong Basic Law Drafting Committee, delivered a report to the Standing Committee meeting and Chairman Wan Li on committee personnel changes.

After examining the report and putting it to a vote, the meeting decided to accept the resignations of Zha Liangyong and Kuang Guangjie as members of the drafting committee and expressed the hope that they would continue to make contributions to the drafting of the basic law. As the words and deeds of Situ Hua and Li Zhuming do not conform to their status as members of the draft committee, the meeting decided that they should no longer participate in the committee's drafting work until they abandon their antagonistic stand toward the Chinese Government and their attempt to nullify the Sino-British Joint Declaration on Hong Kong.

The meeting also decided on a number of appointments and removals.

### **Yang Shangkun Issues Order**

*OW3110175889 Beijing XINHUA Domestic Service in Chinese 1313 GMT 31 Oct 89*

[“Local Broadcast News Service”]

[Text] Beijing 31 Oct (XINHUA)—Order of the President of the People's Republic of China— No 20

It is now hereby promulgated that the “Law of the People's Republic of China on Gatherings, Parades, or Demonstrations” was passed at the 10th meeting of the Standing Committee of the Seventh National People's Congress of the People's Republic of China on 31 October 1989. This law comes into force from the day of promulgation. [Signed] Yang Shangkun President of the People's Republic of China  
[Dated] 31 October 1989

### **Assemblies, Demonstrations Law Cited**

*OW0111035189 Beijing XINHUA Domestic Service in Chinese 1507 GMT 31 Oct 89*

[“Local Broadcast News Service”]

[Text] Beijing, 31 Oct (XINHUA)—The PRC Law Governing Assemblies, Parades, and Demonstrations

Adopted at the 10th Meeting of the 7th National People's Congress [NPC] Standing Committee on 31 October 1989

#### **Chapter I. General Principles**

**Article 1.** This law is drawn up in accordance with the Constitution to safeguard citizens legal rights to assemble, parade, and demonstrate and to safeguard social stability and public order.

**Article 2.** This law applies to assemblies, parades, and demonstrations held within the territories of the PRC.

Assemblies in this law refer to activities held in open spaces to express views and wishes.

Parades in this law refer to processions held on public roads and in public open spaces to express common wishes.

Demonstrations in this law refer to activities held in public areas or roads and carried out in the forms of assemblies, parades, or sit-ins to voice demands, lodge protests, or express support and other common wishes.

This law does not apply to cultural, recreational, or sports activities; normal religious activities; nor traditional, nongovernmental activities among the people.

**Article 3.** In accordance with this law, people's governments at all levels shall safeguard citizens rights to assemble, parade, and demonstrate.

**Article 4.** While exercising their rights to assemble, parade, and demonstrate, citizens shall abide by the Constitution and laws. They may not violate the basic principles prescribed in the Constitution nor infringe upon the interests of the state, society, and collectives or the legitimate freedoms and rights of other citizens.

**Article 5.** Assemblies, parades, and demonstrations shall proceed peacefully. The participants may not carry weapons, controlled cutting tools, or explosives nor may they use violence or instigate other people to use violence.

**Article 6.** Authorities in charge of assemblies, parades, and demonstrations are public security bureaus of cities and counties and public security subbureaus of municipal districts where the assemblies, parades, and demonstrations are held. When the routes of the parades and demonstrations cross two or more districts or counties, the authorities in charge shall be the public security organ one level higher than the public security organs of these districts and counties.

#### **Chapter II. Application and Authorization of Assemblies, Parades, and Demonstrations**

**Article 7.** Citizens who hold assemblies, parades, and demonstrations shall submit applications to and receive authorization from competent authorities according to this law.

No application is necessary for the following activities:

1. Celebrations or commemorative activities held by the state or held in accordance with decisions of the state;
2. Assemblies held by state organs, political parties, social groups, enterprises, or institutions in accordance with the law or their organic charters.

**Article 8.** Assemblies, parades, and demonstrations shall have sponsors.

The sponsors of assemblies, parades, and demonstrations, for which applications are necessary in accordance with this law, shall submit written applications to competent authorities 5 days prior to the date of the activities. The applications shall state the purposes of the assemblies, parades, or demonstrations; the ways they will be held; the placards and slogans to be used; the number of participants and vehicles; the type and number of audio equipment to be used; the start and end times; the locations (including the gathering and disbanding locations); the routes; and the names, occupations, and addresses of the sponsors.

**Article 9.** Upon receiving applications for holding assemblies, parades, or demonstrations, the competent authorities shall give written notifications to the sponsors 2 days prior to the holding of these activities to inform them whether their applications have been approved or not approved. If they are not approved, the reasons shall be stated. The activities shall be considered as approved if no notification is delivered within the time limit.

If an assembly, parade, or demonstration is really required immediately owing to contingencies, the competent authorities must be immediately notified. Upon receiving the application, the competent authorities must immediately examine it and determine whether it is approved or not approved.

**Article 10.** Upon receiving applications for holding assemblies, parades, or demonstrations for the purpose of settling specific matters, the competent authorities may notify the relevant organs or units to talk to the sponsors of the assemblies, parades, or demonstrations so that the problems can be settled through consultations. They may also postpone the date of the activities for 5 days.

**Article 11.** If the competent authorities think that traffic and public order will be seriously affected if an assembly, parade, or demonstration is held according to the scheduled time, locations, and routes as stated in the application, they may, while making or after making the decision, change the time, locations, and routes of the assembly, parade, or demonstration and promptly notify the sponsors.

**Article 12.** Assemblies, parades, and demonstrations shall not be authorized if they have one of the following conditions:

1. When they violate the basic principles prescribed in the Constitution;
2. When they endanger national unification, sovereignty, or territorial integrity;
3. When they instigate national separation;
4. When there is ample evidence to prove that the assembly, parade, or demonstration will directly jeopardize public security or seriously undermine public order.

**Article 13.** If the sponsors of assemblies, parades, and demonstrations disagree with decisions made by the competent authorities who do not authorize their activities, they may, within 3 days after being notified, request the people's government of the same level for a reexamination; and the people's government shall make a decision within 3 days after receiving the request.

**Article 14.** The sponsors of assemblies, parades, and demonstrations may withdraw their applications after they submit the applications, or prior to being notified by the competent authorities. If they decide not to hold the assembly, parade, or demonstration after receiving the authorization notice, they shall promptly inform the competent authorities; and if the participants of the activity have already assembled, they shall be responsible for disbanding them.

**Article 15.** Citizens shall not start or organize assemblies, parades, or demonstrations in cities where they are not residents nor shall they participate in activities held by the local people.

**Article 16.** Personnel of state organs shall not organize or participate in assemblies, parades, or demonstrations which go against their responsibilities and obligations prescribed in relevant laws and regulations.

**Article 17.** Organizing or participating in assemblies, parades, and demonstrations in the name of state organs, social groups, enterprises, or institutions shall have the approval of the responsible persons of these units.

### **Chapter III. The Holding of Assemblies, Parades, and Demonstrations**

**Article 18.** For assemblies, parades, and demonstrations held according to law, the competent authorities shall dispatch people's police to maintain traffic and public order so that these assemblies, parades, and demonstrations can proceed normally.

**Article 19.** No one may use force, threats, or other illegal means to harass, storm, or undermine the assemblies, parades, and demonstrations held according to law.

**Article 20.** In order to ensure the procession of legally conducted parades, the people's police responsible for maintaining traffic order may make temporary changes in implementing the related traffic regulations.

**Article 21.** If unpredictable circumstances develop when a parade is in progress, making it impossible for the parade to proceed according to the approved route, the responsible persons of the people's police on the scene have the right to alter the route of the parade.

**Article 22.** If assemblies, parades or demonstrations are to be held at or to pass by state organs, military organs, radio and TV broadcasting stations, foreign embassies and consulates in China, and other units, the competent authorities may cordon off the vicinity to maintain order. It is not allowed to overstep the cordon without the approval of the people's police.

**Article 23.** Assemblies, parades, and demonstrations shall not be allowed within 10 to 300 meters of the following places, unless they are approved by the State Council or the provincial, autonomous regional, or municipal people's government:

1. Places where the NPC Standing Committee, the State Council, the Central Military Commission, the Supreme People's Court, and the Supreme People's Procuratorate are located;
2. Places where state guests are staying;
3. Important military installations;
4. Airports, railway stations, and sea ports.

The provincial, autonomous regional, or municipal people's government shall specify the distances from the places mentioned in the preceding section.

**Article 24.** Assemblies, parades, and demonstrations are to be held within the time frame of 0600 to 2200, unless otherwise decided on or approved by the local people's governments.

**Article 25.** Assemblies, parades, and demonstrations should proceed according to the approved purposes, methods, slogans, starting and ending times, places, routes, and so on.

Responsible persons of assemblies, parades, and demonstrations should be responsible for maintaining the order of assemblies, parades, and demonstrations and strictly prevent other people from joining in.

When necessary, responsible persons of assemblies, parades, and demonstrations should assign special people to assist the people's police in maintaining order. People responsible for maintaining order should wear distinguishing signs.

**Article 26.** In the course of assemblies, parades, and demonstrations, it is not allowed to violate the decrees and regulations on public security control nor to carry out or incite criminal activities.

**Article 27.** The people's police should stop any of the following situations that arise in the course of assemblies, parades, and demonstrations:

1. When no application is filed according to this law or when an application is not approved;

2. When the procession does not comply with the purposes, methods, slogans, starting and ending times, places, and routes approved by the competent authorities;

3. When public security is jeopardized or social order is seriously disrupted in the course of the procession.

The responsible person of the people's police on the scene have the right to issue an order for dispersal when any of the aforementioned situation arises and the warning to stop goes unheeded. They have the right to adopt the necessary methods in accordance with the relevant regulations to forcefully drive away those who refuse to disperse and to remove by force or immediately detain those who refuse to obey the order.

The people's police may forcefully remove or immediately detain those participants in assemblies, parades, or demonstrations who overstep a cordon set up according to the provisions in Article 22 of this law, who enter the areas specified in Article 23 where assemblies, parades, and demonstrations are not allowed, or who are engaged in other illegal or criminal activities.

#### Chapter IV. Legal Responsibilities

**Article 28.** Those who violate public order during an assembly, parade, or demonstration will be punished according to relevant regulations on punishment for violation of public order.

If any of the following situations occurs with regard to staging assemblies, parades, or demonstrations, public security organs may issue warnings to or detain for up to 15 days the persons in charge or the personnel who bear direct responsibility:

1. Failure to apply for permission in accordance with the provisions of this law or permission is denied;

2. Failure to adhere to the purpose, form, posters, slogans, start and end times, locations, and routes approved by the competent departments and continuing to do so despite warning from the competent departments.

**Article 29.** Those who carry out criminal activities during assemblies, parades, or demonstrations will be investigated for criminal responsibility in accordance with the relevant provisions of the Criminal Law.

Those who bring weapons, cutting tools which are under government control, or explosives will be investigated for criminal responsibility in accordance with Article 163 of the Criminal Law.

The persons in charge or the personnel assuming direct responsibility for the assemblies, parades, or demonstrations who fail to apply for permission in accordance with the provisions of this law, who are denied permission, or who disobey the rules regarding the start and end times, locations, and routes approved by the competent departments and defy the order to disperse, thereby seriously disrupting social order, will be investigated for criminal responsibility in accordance with Article 158 of the Criminal Law.

The persons in charge or the personnel bearing direct responsibility for the assemblies, parades, or demonstrations which surround or attack government organizations, thereby obstructing the normal functions of the government organizations in carrying out official business and state affairs, will be investigated for criminal responsibility in accordance with Article 158 of the Criminal Law.

The persons in charge or the personnel bearing direct responsibility for the assemblies, parades, or demonstrations that occupy public places and block the way of vehicles and pedestrians and cause traffic congestion, seriously disrupting order in public places and traffic order, will be investigated for criminal responsibility in accordance with Article 159 of the Criminal Law.

**Article 30.** Public security organs may issue warnings to or detain for up to 15 days persons who disturb, assault, or use other means to disrupt legally held assemblies, parades, or demonstrations. In cases where such acts are serious enough to be considered crimes, the perpetrators will be investigated for criminal responsibility in accordance with relevant provisions of the Criminal Law.

**Article 31.** Parties who disagree with the decisions on their detention and punishment made by public security organs in accordance with Articles 28, Section 2 or Article 30 of this law, may present petitions to the public

organizations at the next higher level within 5 days after receipt of the notice on the decisions. The public security organizations at the next higher level should rule on the petitions within 5 days of the receipt of the petitions. Parties who refuse to accept the judgment of the public security organizations at the next higher level may petition the people's court within 5 days after the receipt of the judgment notice.

**Article 32.** Those who damage public or private property or cause injuries or death during assemblies, parades, or demonstrations will be punished in accordance with the relevant provisions of the Criminal Law or the regulations on punishment for violation of public order. They are also responsible for paying for damages in accordance with the law.

**Article 33.** Public security organs have the right to detain or send back by force citizens who go to cities other than the ones where they reside to launch or organize assemblies, parades, or demonstrations.

#### Chapter V. Supplementary Provisions

**Article 34.** This law applies to assemblies, parades, and demonstrations held by foreigners in China.

Without the approval of the competent authorities, foreigners in China are not allowed to take part in assemblies, parades, or demonstrations held by Chinese citizens.

**Article 35.** Public security departments of the State Council may formulate regulations for implementation in accordance with this law and submit them to the State Council for approval and implementation.

The standing committees of the provincial, autonomous regional, and municipal people's congresses may formulate measures for implementation in accordance with this law.

**Article 36.** This law takes effect on the day of promulgation.

#### Appendices:

#### Related Articles in the Criminal Law

**Article 158.** The use by any person of any means to disturb social order is prohibited. When the circumstances of disturbance of social order are serious so that work, production, business, and education or scientific research cannot be conducted and the state and society suffer serious losses, ringleaders are to be sentenced to not more than 5 years of fixed-term imprisonment, criminal detention, control, or deprivation of political rights.

**Article 159.** In cases of assembling a crowd to disturb order at railway stations, wharves, civil airports, market places, public parks, theaters, exhibitions, sports grounds, or other public places; assembling a crowd to block traffic or undermine traffic order; or resisting or

obstructing state security administration personnel who are carrying out their functions according to law, when the circumstances are serious; ringleaders are to be sentenced to not more than 5 years of fixed-term imprisonment, criminal detention, control, or deprivation of political rights.

**Article 163.** Whoever violates gun control regulations, privately storing guns or ammunition and refusing to hand them over, is to be sentenced to not more than 2 years of fixed-term imprisonment or criminal detention.

#### Regulations Issued on Social Organizations

*HK0111003889 Beijing CHINA DAILY in English  
1 Nov 89 p 3*

[By our staff reporter Liang Chao]

[Text] The State Council has issued a regulation on the registration of social organizations, the first such measure since 1950.

The regulation is designed to ensure ordinary citizens' freedom of association and to define the legal rights of social groups as well as involving them in China's socialist construction, according to Fan Baojun, vice-minister of the Ministry of Civil Affairs.

At a news conference yesterday [31 October], Fan said that the regulation was approved by the recent 49th executive meeting of the State Council and signed by Premier Li Peng in his order No. 43.

The decree took effect immediately, he said.

According to the regulation, no social organization, including societies, associations, federations, research units, foundations, cooperatives and chambers of commerce will be considered legal unless it is registered with the appropriate authorities.

Organizations or associations sponsored by foreigners or Chinese citizens abroad are not covered by the regulation.

Also, under the regulation, social groups will be prohibited from profit-making activities.

The Ministry of Civil Affairs and its departments above the county level are authorized to approve or and disband social groups.

Under the 1982 Constitution, citizens "enjoy freedom of association." But, an official with the ministry's Community Management Department said, many important civil rights matters, such as legal standing, the rights and duties of organizations and the relationship between them and the state, must be defined in specific laws to ensure this basic human right.

The official said in an interview with CHINA DAILY that the draft of a law governing rights of assembly, the first of its kind in China, is now being prepared.

Now that the regulation has been issued, the ministry plans to review the qualifications and legality of existing organizations, he said.

About 1,100 organizations at the national level have been established with the approval of relevant departments of the party or state authorities since last year.

And there are an estimated 100,000 local community groups in the country, he said.

But there are some problems with these, he said. Many organizations were found to have an overly close connection with governmental departments, even though they are allegedly non-government-run.

Moreover, some secret societies or underworld gangs that existed before 1949 have been revived in some backward and coastal areas.

Some illegal organizations have already caused severe damage to the State and the party, he said, such as the "Autonomous Student Union of Beijing Universities," which stirred up anti-revolutionary rebellion in Beijing last spring.

Also, some organizations have engaged in illegal business and profiteering, greatly disrupting the State's normal economic order, the official concluded.

### Party Leaders Show Differences Over Zhao

*HK0111024989 Hong Kong HONGKONG STANDARD in English 1 Nov 89 p 8*

[Text] In an exclusive interview with Chinese leaders, writer Han Suyin appears to confirm that there are differences in the Communist Party over former party chief Mr Zhao Ziyang.

"I do not think Mr Zhao was a counter-revolutionary but he committed many mistakes," said party General Secretary Jiang Zemin in the interviews published in the latest issue of CHINA REVIEW.

"Certain things must remain state secrets. Under Mr Zhao there were serious leaks," he was quoted as saying.

Vice-premier Yao Yilin, was much harder on Mr Zhao. He told Miss Han, who spent two weeks in China to conduct the interviews, that Mr Zhao, "wanted to reject all responsibility for the failures (and place them) on Deng Xiaoping."

"Zhao told (Soviet President) Gorbachev that Deng was the man who had the last say in everything, something which was supposed to remain a state secret."

"He also tried to push problems on Li Peng," said Mr Yao.

On the subject of the June massacre, Mr Yao said there had been a victory because the socialist state had been maintained but defeat because the aftermath was serious.

On the pro-democracy protests, Mr Jiang turned his attention to the Voice of America [VOA].

"The young are extremely vulnerable to outside propaganda," said Mr Jiang.

"VOA quadrupled its output and broadcast continuously...deliberately spreading rumours and inciting the students."

Mr Jiang said the students had been well organised and that it was precisely this organisation which showed there were outside forces behind the movement.

He also said he had gone through one of the student checkpoints "in disguise."

### Chen Yizi Discusses Zhao in Interview

*HK3110152589 Hong Kong PAI HSING in Chinese No 203, 1 Nov 89 pp 18-24*

[Interview with Chen Yizi by Lu Keng (7120 6972) on 1 October 1989 in Paris: "Chen Yizi Exposes the Plot of Overthrowing Zhao Ziyang—the Whole Story of the Soros Event"; the first two paragraphs are an introduction to the interview]

[Text] The best evidence Li Peng could use to persecute Zhao Ziyang and prove his guilt was to collude with an external enemy. The Soros Fund naturally became a target for archery. However, the Soros event fully shows that the 4 June Massacre was a conspiratorial coup staged by the conservatives within the CPC in order to protect their vested interest and settle accounts with the 10 years of reform.

Mr. Chen Yizi, member of Zhao Ziyang's think tank and director of the Institute of Restructuring Economy under the State Council, left Beijing for Paris after the 4 June Massacre. He went to the United States to meet personages from various circles. Between 22 and 24 September, before the Federation for Democracy in China held its inaugural meeting, he returned to Paris. He was then elected chairman of the preparatory committee of the "Federation" and presided over the inaugural meeting. At the meeting, he joined the campaign for members of the council of the "Federation." He called himself "a loser in reform" but was still full of confidence in the democratic movement. He was then elected a member of the 15-member council. In order to unite with a number of people who had previously been engaged in reform on the mainland and were then doing theoretical research abroad and trying to make further contributions to the democratic movement, he organized a "Science and Democracy Fund," which became the brain trust of the "Federation." The following is a record on an interview with him by Lu Keng, which was his first over the past more than 3 months since he left the mainland and which lasted more than 3 hours. He mainly told a story—the "George Soros Event" which the CPC's conservatives had created for overthrowing Zhao Ziyang. This fully shows that the plot of the conservatives had

long been premeditated and that the 4 June Massacre was but a general exposure of this plot.

[Lu] Up to 1 October, 4 and 1/2 months have passed since Zhao Ziyang was forced to step down on 16 May, but the issue is still unclear. Yang Shangkun, Li Peng, Yao Yilin, and others wanted to get rid of Zhao Ziyang. This is a long-premeditated plot. There are many complicated things in the so-called "Soros Event." We understand that there are still some secrets that can not be disclosed, but the "Soros Event" can only expose the ugly faces of the conservatives, only that people both on the mainland and abroad are not clear about it. Being a witness to the historical event, could you make a more detailed exposition on the entire matter, both its cause and effect? Especially, on Zhao Ziyang's question, I think it is fair to say that it is just a matter of different views, different comments, and different stands on the student movement rather than a "crime." However, the conservatives are preparing to punish him for committing a crime and have made the "Soros Event" an evidence of his crime. What is the inside story of this? What is that mysterious?

#### The Soros Fund Becomes an "Evidence" of Zhao Ziyang's Crime of Subversion

[Chen] On the questions of how Mr. Soros had established the fund in China and how the fund carried out its activities, I think I am the one who knows more about all this than anyone else. On 14 June, after the 4 June massacre and before the 4th Plenary Session of the 13th CPC Central Committee was held, Zhao Ziyang said once again at an enlarged meeting of the Standing Committee of the Political Bureau: "First, I did not make a mistake. Second, I still hold that the starting point of the student movement is good. They are patriotic." On 28 June, at another Political Bureau meeting, Public Security Minister Wang Fang said that Zhao Ziyang and Bao Tong had, with the help of Chen Yizi and Li Xianglu, contacted a U.S. tycoon Soros, who was under the control of the CIA and whose purpose was to subvert the socialist system. On hearing this, Li Peng said at once that this was a major case, and Wang Zhen said it was necessary to bring Zhao Ziyang to trial and put Bao Tong to death. After that, Li Peng and his followers tried to put Zhao Ziyang in a deathtrap with the following two charges: First, Zhao Ziyang had supported the turmoil. Second, Zhao had committed a crime of subversion. On the first question, Zhao gave the following reply: "First, I admit that I myself have committed mistakes. Second, I hold that the movement of the students and citizens is patriotic." So far, Zhao Ziyang has not admitted that he has supported or created turmoil, and there is no evidence to prove it either. The second charge is the so-called subversion of the socialist system by the Soros Fund. I am chairman of the Fund on the Chinese side and Mr. Soros is chairman on the U.S. side. On the questions of how the fund was established, what things it has done, and what changes have taken place in it, I think I am best qualified to speak.

[Lu] Good! Then could you tell us more details about it?

[Chen] Our friends abroad may feel it strange that a fund established by an American could become an evidence of Zhao Ziyang's crime of subversion, or even an evidence for putting Bao Tong to death and bringing Zhao Ziyang to trial. Many people may find it difficult to understand this. Our friends in China may also have misgivings about this after they hear Wang Fang and Li Peng's remarks. As they do not know the truth, they certainly cannot make a correct judgment.

I would like to talk about this issue on the following questions.

#### The First Question: The Background for the Establishment of the Soros Fund

Beijing is the base camp of China's reform. The 3d Plenary Session of the 11th CPC Central Committee, which was held at the end of 1978, put forth the major tasks for the whole party and whole nation after the meeting. On the ideological front, it put forth a principle of "practice being the only criterion of truth." On the economic front, a great movement of rural reform was launched by the 1 billion peasants who had been freed from the "leftist" shackles. This movement helped the peasants solve the problem of making allocation of their surplus products. From 1980 to 1984, there was a great leap in the rural economy. Just as the peasants said: "After turning over to the state and having some retained by the collective, all the rest belongs to ourselves." However, in 1983 and 1984, it was discovered that so long as the peasants were still not masters of the production materials, they were unable to effectively combine resources, labor, and funds and greatly increase productivity. Thus, it is necessary to solve the problems concerning relations between the state and the peasants and further develop rural reform. This problem was not well solved, because reform in the cities had not been carried out. At the end of 1984, the 3d Plenary Session of the 12th CPC Central Committee urged developing the socialist commodity economy. It decided to carry out an overall economic structural reform in the cities. On such a background, Zhao Ziyang told me: You have all made important contributions and offered many good suggestions in the rural reform. Now the focus of reform has been shifted to the cities. What are you planning to do next?

[Lu] May I interrupt you, at that time what posts did you assume?

[Chen] I was head of the Group for China's Rural Development Studies which is under the State Council's Rural Development Research Center and an associate research fellow of the Chinese Academy of Social Sciences as well. Zhao Ziyang told me that an overall urban economic structural reform would be carried out. By that time, a large number of young people in their thirties and forties had become mature. They were familiar with the realities in Chinese society and had theoretical knowledge at home and abroad. It was necessary to organize

them to serve China's economic reform and the decision-making of the party Central Committee and the State Council. Under these circumstances, I was director of the Institute of Restructuring Economy and member of the State Council's Commission for Restructuring Economy. Since then, I had been shifted from the designing and promotion of rural reforms to that of economic structural reform. The problem facing us at that time was how to carry out economic restructuring in cities. Many comrades working in grass-roots units spoke about this truth: There is a vast difference between rural and urban reforms. Rural reforms have solved first the problem of everybody eating from the same big pot and then that of decisionmaking power. These two points are conducive to urban economic reform. Rural systems are simple, puerile, and relatively divisive. The failure of reform in a small area will not affect the overall situation. However, since the whole systems of urban economic reform have a relationship of cause and effect, we did not know how to carry it out. After taking up the post of director of the Institute of Restructuring Economy, I organized 400 writers and scholars to conduct general investigations in 29 cities and 429 enterprises. At the same time, we also carried out investigations in all ministries and commissions related with macroeconomic management systems. The purposes of the investigation were 1) to find out which stage China's economic reform has actually reached; 2) to determine what basic problems exist in the course of economic reform; and 3) to define ways to readjust these basic problems. The investigation work started in June and July of 1985 and a systematic report was worked out in November of the same year, which was entitled "Reform: The Challenges and Choices Facing Us." The publication of the report attracted the universal attention of people at home and abroad, because in it we made a basic appraisal of China's reform at that time and the earliest analysis of overexpanded investment and swelling consumption cropping up in urban reforms. Especially after the start of urban reforms, we realized that China's reform and opening up to the outside world were two wings that had a relationship of cause and effect. For reform to deepen, it is necessary to have the aid of foreign experiences conducive to the development of the Chinese nation. If opening up fails to progress smoothly, it will be very difficult for reform to succeed. The progress of reform is conducive to the opening-up program. While opening up our country to the outside world, we should absorb foreign investment, technology, and qualified people. To achieve this, it is necessary to have a system and regulations in accordance with international practices. To put it another way, the more smoothly reform progresses, the more so opening up to the outside world will develop. The wider the country's doors are opened, the greater the guarantee of success for reform will be.

After all China has been in national seclusion for 30-odd years. The linkage of a closed system and an open one must be a process of gradual advance. Otherwise, there will be a shock to the closed system and it will be difficult

for the closed system to accept any linkage other than the gradual one. This being the case, we are aware that on the one hand, we should carry out reform in the urban economic system, including reforms in social system and political system and on the other, we should make experiments in deepening reform in special zones so as to help make overall reform a success.

#### **In Rural Reform, Experiences of Hungary, Poland, and Yugoslavia Can Be Used for Reference**

Meanwhile, we also felt that the success of the revolution of 1911 led by Sun Yat-sen was indispensable with the adoption for reference of advanced experiences of other countries. International advanced experiences include two parts. One is the crystallization of accumulated human culture. Any country which absorbs it can develop. This has been proven by history. The other part is modern science and technology. So long as they are useful for rejuvenating our nation, we should learn and absorb them. Out of these considerations, we were determined to base ourselves on China's national condition, face the world, use experiences of other countries, positive and negative, to influence China, and provide policy decision makers with bases, so as to make China's reform and opening up more successful. As such, we set about seeking help from foreign friends.

While rural reforms were in progress, taking the fact that of the country's 1 billion population, 800 million are peasants into consideration, we thought that China's problems could be solved only by relying on the Chinese people's own efforts and that no experiences of any major countries could be used directly for reference. When urban economic reforms were started, we thought that the experiences of socialist states, including Hungary, Poland, and Yugoslavia, were of value to us. Thus we further contemplated how to open up international environment.

In 1979 and 1980 when I was responsible for forming the Group for China's Rural Development Studies in which I acted as group leader and He Weiling as deputy group leader, the latter wanted to go to the United States. When he went to the United States, I expressed hopes to him that 1) he would provide us with successful foreign experiences so that we could use them at home for reference; 2) he would make more friends abroad and this would be of help to China's reform; 3) he would provide us with information of reforms in other countries so that we could use it for reference; and 4) he would raise funds from some foreign countries so that we could carry out our activities. In the final analysis, China is a poor country.

#### **The Second Problem Was To Set up in China the Foundation for Reform and Opening up**

Early in 1986, Mr He Weiling and the editor in chief of the journal "The Intellectual" in the United States, Mr Liang Heng, telephoned and wrote me several times telling me about a most successful Wall Street financier Soros. Soros considers that society must be open, and a

closed society will not prosper. Secondly, he thinks that everyone in an open society should be equal and given an equal opportunity for development. He set up in the United States a foundation for open society and in 1984, he established the Soros Foundation. The Soros Foundation was willing to establish connections with us. At that time I asked what the Soros Foundation's willingness to establish connections with us might help us. I expressed the hope that Soros would explain clearly to enable further communication.

Toward the end of 1985, Soros sent one of his friends, Daerduoshi [6671 1422 1122 0087], chief of the Economic Mechanism Bureau of the Economic Research Institute, under the Hungarian Academy of Sciences, to China. During his visit he and I had a talk. He said: "My friend, Soros, is very interested in reforms in China. The first reason is, he is dissatisfied with the progress of reform in Hungary. Hungary is a small country, moreover under Soviet control. It is difficult for it to do the many things it would like to do. Second, China is a big country. The progress of China's rural reform has attracted world concern. Soros thinks that if reform succeeds in a big country such as China, which boasts a population of 1.1 billion, it will be a major contribution toward mankind."

[Lu] Exactly!

[Chen] Daerduoshi expressed that Soros was willing to cover our expenditure if we sent a delegation team to Hungary for a visit. I gladly accepted the offer. So toward the end of April 1986, Gao Shangquan, vice minister of the State Commission for Restructuring Economy, as the head of the delegation, I and Wang Xiaoxiang, as deputy delegation head, led a group of friends from Beijing Youth's Economic Society, on a visit of Hungary. There were 18 of us, and we visited many places during our visit. On 26 April 1986 we arrived in Budapest. The person that received us was Hademaiye [0761 1779 6701 5102], director of the Financial Research Institute, Hungarian Financial Department. Dividing ourselves into four groups of macro-group, micro-group, the social group, and the group for party and political relations, we made a meticulous study of Hungary's reform. The survey we did was not static. There were not only the questions of how fast the progress of Hungary's present reform was, and what the problems were, but also the questions of the background of its reforms, the thinking behind each reform step, the outcome, the gap between the plan and the outcome, and whether this gap resulted from problems in formulation, or in the process of application. The fact-finding tour benefited greatly all the members of the delegation. The Hungarian friends repeatedly said: "Of all the visits and study by delegations from China, yours is the most detailed and most profound."

We also met with Mr Nieerxin [5119 1422 0087], the person in charge of the 1968-73 economic reform in Hungary. At that time he was advisor to the Economic Institute of Hungarian Academy of Sciences. Then we

saw the chairman of the Hungarian Party, its Politburo members, the union's chairman Buergaoyi [1580 1422 7559 5030], who later became one of the four leaders of the Hungarian Party. We had very thorough talks. There were two main topics: one was economic reform problems. The Hungarian friends expressed that their economic reform did not yet resolve the issue of property relations; second it did not resolve the problem of the capital market. The other was political reform, which boiled down to whether there would continue to be a single party, and that means publicizing the inner-party factions, or there would be a multi-party system. Under the long-term rule of a single party, there had been no effective restraints, and factions dared not reveal themselves. There was either corruption or conspiracy. We were all greatly enlightened by these views.

[Lu] The Hungarian leaders had this understanding as early as in 1986?

[Chen] Yes. At that time they were already discussing the issue of revealing the inner-party factions to the public.

[Lu] That was amazing!

[Chen] Afterwards, we visited Yugoslavia. On the 3rd day following our return to China, Zhao Ziyang listened to our report, in great detail. At that time China was faced with the problem of designing a comprehensive program for economic structural reform. When we were in Hungary, Soros made a special trip there from the United States. Soros had a talk with me and Wang Xiaoxiang.

[Lu] Did he meet with Gao Shangquan?

[Chen] I will come to that later. Soros invited us to dinner, in a restaurant very Hungarian in style. There we had a very frank talk. Mr Soros told us all about himself. We were deeply touched.

#### Soros Is the Most Successful Financier in the United States

Mr Soros is a Jew born in Hungary. At 18 he went to England and studied at the London Economic Institute. He graduated there. At 26, he arrived in the United States, with \$268 on him. Through his talent and diligence he became a billionaire. In 1986 and 1987 he was on top of the list of Wall Street financiers. He is one of the most successful financiers in the United States. In Hungary he told us repeatedly: "I love my country but, having lived in the United States for a while, I came to believe in Popper's philosophy. Popper is a famous physicist. He thinks that it is hard for any closed system to develop. I think that a society should be open. Only by opening up can it learn useful things from various peoples in the world, and hence can it develop. I do not think that a feudal society can enter the international community and develop. Second, in my opinion, one fundamental principle in an open society is universal equality, which is demonstrated in giving everybody an equal opportunity to develop one's talent to the fullest. I

love my country and I hope that socialist countries and the people there can develop, so that they are able to enjoy the wealth of mankind in an open society, and an equal opportunity to give play to their talent." I expressed at that time: "I very much agree with you. The reason China must reform is its decades of closed-door policy, which had much retarded our economy, politics, and culture. We must open up if we want a successful reform, and opening up means to absorb the good experiences from various countries, and to give everybody an equal opportunity to develop his talent to the fullest." He said: "If you agree, I would like to set up a foundation in China, such as the one I set up in Hungary. Every year I will donate no less than \$1 million to support projects in China's reform and opening up program." I expressed: "I am very glad to be your friend and I would like to assist you in setting up such a foundation in China." However he hoped that the Chinese Government would correspondingly supply an amount of RMB equivalent to \$1 million. I replied right away that, though a big country, China is also a poor country, that it was not for me to decide if the Chinese Government would donate a \$1 million equivalent of RMB. Moreover I know that China would have difficulty coming up with the sum of money. I hope that you would understand. If it is not necessary for China to contribute that sum of money, the chances for setting up the foundation in China would be greater. If it is necessary for China to donate this sum of money, there will be repeated discussions and reviews by the relevant authorities. After I returned to China, on July, August, and September Mr Soros consulted with me many times through Mr Liang Heng. Finally, after many discussions, we both agreed to a document signed by both parties. In October 1986 Soros came to Beijing to sign the document, which was called "Accord on Establishing the China's Foundation for Reform and Opening up." The foundation would be an American foundation registered in the United States. Its American chairman was Soros, and the Chinese counterpart was me (Chen Yizi).

#### Soros Annually Provided China With \$1 Million

Our discussion then focused on three issues. The first was the goal for which the foundation was established. There were two versions for this goal. The first was the support of reform and opening up under China's socialist system. The second was the support of China's reform and opening up. My idea then was if Soros did not accept the first version, we would produce the second one. But Soros gladly accepted the first version. The second issue, Soros annually gave \$1 million to the foundation, could China come up with a \$1 million-equivalent amount of RMB? Because of the difficulties China had, China was unable to offer the money. Soros expressed that for the sake of China's reform and opening up, he himself would offer annually no less than a \$1 million-equivalent amount of RMB to fund projects in China's reform and opening up, and this was to last until China could supply the sum of money itself. I did not tell him then that had our unit been given a foreign

exchange quota, we would not have needed his U.S. dollars. Furthermore all items involving the use of funds, and their amounts were opened for competition, and bidding would be invited—all this to fulfill and maintain the public nature, and the principle of openness and fairness. The third principle discussed was that all projects would be examined and subject to approval by the Chinese side. Soros chose Mr Liang Heng and me as his personal delegates. The delegates for Chinese chairmanship was Mr Li Xianglu and several committee members. Liang Congjie was suggested by Mr Soros, and I suggested Zhu Jiaming and He Weiling. In all, there would be a seven-strong committee. Apart from Soros himself, all other committee members were Chinese. When the first committee meeting was convened, I advocated the principle that, to enable the foundation to serve well reform and opening up, 70 percent of the foundation's projects should be related to reform and opening up, and this was to include projects dealing with economic, social, and political problems. As for cultural and art projects, we should avoid as best we could ideological controversy, to avoid causing unnecessary trouble. Everybody agreed to the principle.

Before the first committee meeting was called, Soros pointed out: "I do not think that a modern society can be brought about by student movements. Modern society is established on a set of procedures, systems, and regulations. I hope that there would be a group of people who understand these procedures, systems, and regulations to be responsible for the building of a new society. It would be easy to destroy a society. But it would be less easy to build a new one." We expressed that we agreed his viewpoint. Soros also made a suggestion that no one committee member was allowed to apply for or recommend projects in individual capacity. I stressed repeatedly at the first committee meeting that each committee would handle the foundation's affairs in a fair fashion. There could not be any abuse of office for personal interests. As a result all our projects were opened to the public.

[Lu] Let me interpose, according to the CPC's procedure that everything must be reported higher authorities, whom did this seven-strong committee of yours report to? And from whom and what unit did the committee receive instructions?

[Chen] I will come to that later.

#### Mediating With the Chinese Government

[Chen] Mr Soros and Mr Gao Shangquan held talks in Hungary. Mr Gao Shangquan also expressed his interest in establishing such a foundation; he said he agreed to it completely. He also said it would be difficult for the Chinese Government to contribute an amount of Renminbi equalling \$1 million. However, we all said that we would try our best to gather money. After returning to Beijing, Mr Gao Shangquan and I made a report to the members of the State Commission for Restructuring Economic System. We all agreed that this was something

very meaningful to do. The principle proposed by Mr Soros—"society should be open, and everyone in such a society should be equal"—is identical with the goal of our reform. But it would be difficult for our government to allocate the same amount of renminbi. Furthermore, the items are open, and most of the committee members are Chinese. We unanimously expressed our consent, and also appreciated Mr Soros' perspective, wisdom, and enlightened attitude.

[Lu] Who were the head figures of the State Commission for Restructuring Economic System?

[Chen] I was about to tell you. At that time, An Ziwen, Bao Tong, He Guanghui, and Gao Shangquan were deputy directors, and Zhao Ziyang was director. But Zhao Ziyang did not take part in this meeting. There were another four committee members, and we all agreed to establishing the foundation. In the process of practically organizing establishment of the foundation, I usually contacted Mr Bao Tong, it was because he belonged to the State Commission for Restructuring Economic System, which coordinated with us the Institute for Restructuring Economic System. Whenever there was an important event in the Institute for Restructuring Economic System, I would discuss it with Mr Bao Tong. Mr Bao Tong said: First, it was a good thing to do to establish the foundation, and second, we should strive to realize it. Each time after he finished reading the documents we submitted he would suggest other members of the commission to read them, and at that time there was no opposing opinion. If we should say that Bao Tong has played a certain function in approving this matter, the more important would be that all the members of the State Council's State Commission for Restructuring Economic System agreed to the matter. If there was something wrong with this matter, it should be regarded as something wrong which was done by all of us, not a problem caused by Bao Tong, let alone that it is not something wrong, but something which is absolutely beneficial to China's reform and opening up.

The State Commission for Restructuring Economic Reform finished discussing the matter. Because I was the head of the Institute of Restructuring Economic System, and was very busy, I entrusted Mr Li Xianglu, who was our part-time deputy director, with the duty to organize the Beijing office of the foundation, including handling the documents approved by the State Commission for Restructuring Economic Reform and by the State Bureau of Industry and Commerce, as well as the documents registering the Beijing office. This was the founding process of Soros Foundation.

#### **The Third Problem Involves the Activities and Disturbances of the Foundation After It Has Been Established**

Regretfully, when the foundation formally started its activities in January 1987, General Secretary Hu Yaobang was ousted. Because students demanded further democratization and deepened reform and took to

the streets, a struggle against bourgeois liberalization was launched in China. Under this situation, we still had to start work in carrying out the normal activities of the foundation. Roughly, the situation was: First, we made public the documents signed by the foundation and the activities the foundation wished to launch on SHIJIE JINGJI DAOBAO and ZHONGGUO TIZHI GAIGE and other relevant newspapers, and held public competitive bidding. From January through July, in only 6 months, the Institute received several hundred applications. The office made an analysis on these applications, and divided them into three kinds: The first kind consisted of applications which were reasonable, and approval should be given; the second kind consisted of applications which the office hoped that the commission would consider and decide upon approval; the third kind consisted of applications which could be considered in the near future but not to be processed for the time being. During this period, the committee has convened three meetings, and at each meeting the office provided each committee member with a detailed list of applications divided into these three kinds; each kind was discussed and decided upon.

#### **Wang Fang Accused Soros of Being Veteran Fighting Against Communism**

Regretfully, in July 1987, Minister of Public Security Wang Fang wrote a letter to Zhao Ziyang. The main contents of the letter said that Soros was an anticomunism veteran who had supported the Hungarian incident and Solidarity in Poland, causing turmoil in socialist countries, whereas the people who run the foundation were linked to the reactionary elements.

[Lu] Did he mean you and your group?

[Chen] He did not name me and Li Xianglu in the first report. After seeing the report, Zhao Ziyang said that if this was the case he hoped the institute would break away from Soros. I was very shocked when seeing this report. I immediately looked for Zhu Jiaming and Li Xianglu, and asked them to look further into the case. Zhu Jiaming made a specific trip to the United States to look into various materials, while Li Xianglu went to Hungary specifically to look into various evidence. The facts proved that Mr Soros had believed in the Popper philosophy. He has hoped that a developed society is an open one, whereas in an open society everyone is equal. He funded the establishment of a foundation in Hungary in 1984, a foundation in China in 1986, and a same foundation in the Soviet Union in 1987. The foundation established in the Soviet Union was negotiated with Mrs Gorbachev and signed with the Soviet Union Cultural Foundation. In 1987, another foundation was established in Poland, and the agreement was signed between him and the vice minister of higher education in Poland. From the foundation in Hungary, to the foundation in China, and to the foundation in the Soviet Union, and finally to the foundation in Poland, it can be said that their contents and goals are identical. Judging from this

situation, I wrote a letter signed with my name to Zhao Ziyang, Li Tieying, and Bao Tong in October 1987.

#### **Chen Yizi Submitted a Report to Zhao Ziyang and Li Tieying**

[Lu] Why must the report submitted to those three persons?

[Chen] I will explain it to you. It was because in the State Commission for Restructuring Economic System, Bao Tong was responsible for administering the Institute of Restructuring Economic System, and Zhao Ziyang was no longer the head of the State Commission for Restructuring Economic System after he took the post of General Secretary; he was replaced by Li Tieying. Although Zhao Ziyang shifted his post to general secretary, Wang Fang's report was submitted to him, who approved separation between the Institute of Restructuring Economic System and Soros Foundation. After we finished the report, we, acting according to the usual rules in China, first submitted it to Bao Tong, then submitted it to Li Tieying, and finally submitted it to Zhao Ziyang.

My letter was written as follows: First, I introduced the background for establishing the foundation; second, I introduced Soros; third, I introduced the goals and founding process of the foundation; and fourth, the fame enjoyed by Soros in Hungary and the his endeavors in establishing foundations in Hungary, China, the Soviet Union, and Poland, also I enclosed the agreements signed between him and these foundations. In particular, I introduced the evaluation on Soros by the Hungarians, who viewed him as a patriot, while General Secretary Losonczi, who was appointed by the former party chief Kadar, awarded him the national hero medal, recognizing his contributions to the country. Each year, Soros Foundation provided Hungary with \$3.5 million for projects, and he and Hamo (0761 7817)....

[Lu] I know Hamo, he is the boss of Western Oil Company in Los Angeles.

[Chen] These two persons founded a management school in Hungary to train able personnel for Hungary. According to these facts, I thought that Minister Wang Fang's report was inaccurate and a false creation, whereas my evidence was true. Unfortunately, after Bao Tong submitted the report to Li Tieying, Li Tieying had not submitted it to Zhao Ziyang. Li's idea was that Zhao Ziyang had already instructed that the Institute of Restructuring Economic System be separated from the foundation, then they should be separated anyway! There was no need for explanation, and the report was suppressed.

While our report did not reach Zhao Ziyang, Wang Fang had sent his second report to him. This report was compiled in November 1987, resembling the first report, with the aim to exaggerate the seriousness of the problem, and in this report my name and Li Xianglu's name were pinpointed.

[Lu] What would you do under that situation?

[Chen] At that time, in China, there was an organization dealing with foreigners, namely the China International Cultural Exchange Center.

[Lu] It was managed by Peng Chong.

[Chen] Yes. Peng Chong was its director. There was a deputy director called Mr Yu Enguang.

#### **The Foundation Shift to International Cultural Exchange Center**

[Lu] A friend of mine Cheng Siyuan was also deputy director.

[Chen] Mr Yu Enguang had served as principal reporter for New China News Agency, stationed in London and New York; he was educated and enlightened. When I discussed the matter of the foundation with Mr Peng Chong, he thought that Mr Yu Enguang could take it over to oversee it. Mr Yu Enguang thought that Soros was a rich American businessman who had enthusiasm to bring about reform and opening up to socialist countries, and that there was no reason to stop the foundation, which should be carried on. I was too far away from the decision-making body, and Mr Zhao Ziyang twice instructed that he did not agree with us in running the foundation, acting upon the reports submitted to him by Wang Fang. For the sake of China's reform and opening up, of avoiding hurting the feelings of foreign friends, and of enabling the foundation to continue functioning. I hoped that the foundation could shift to the center. In January 1988, the foundation was smoothly handed over to the China International Cultural Exchange Center, and Mr Yu Enguang took the post as its second director. When learning that Mr Enguang agreed to accept the post, we wrote to Soros, who happily consented to such a transfer, saying that this exchange center could better launch cultural, social, political, and economic exchanges in a more extensive way. In January 1988, Mr Soros came to China on invitation extended to him from Mr Yu Enguang, and Mr Peng Chong held a banquet in honor of him in the Great Hall of the People. Mr Cheng Siyuan, Mr Bao Tong, and I attended the meeting. In October 1986, when the agreement was signed, it was in Diaoyutai, and at that moment Mr Bao Tong took part in the meeting, while Mr Tang Kesheng held a banquet in honor of Mr Soros. Since 1988, the foundation has been managed by Mr Yu Enguang, and I was no longer affiliated with the foundation.

#### **Wang Fang Launched His Third Attack and Wrote Another Report to Deng Xiaoping**

In August 1988, Mr Wang Fang wrote another report to Deng Xiaoping to the effect that Zhao Ziyang supported such a foundation and that the foundation, which was controlled by the CIA, carried out subversive activities. I am sure that you are clear about the background of the event.

[Lu] I am clear about that. In other words, this was a conspiracy by the CPC conservatives.

[Chen] I mentioned just now the first report written by Mr Wang Fang to Deng Xiaoping in July 1987, his second report written in November 1988, and his third report written in August 1988. It is not difficult for one to understand his purpose in so doing. It was obvious that the spearhead of attack was directed against reform and opening up and also Zhao Ziyang. We were only scapegoats. Soros was only a victim in their political struggle. He was regarded as a target of attack. I believe that those who were involved in the case were not open and above board. They did so not for public interests but to eradicate their political foes. There was a conspiracy behind the case.

**The Fourth Question Is: After the 4 June Massacre, Why Does China's Foundation of Reform and Opening up Become a Major Crime by Zhao Ziyang in Carrying out Subversive Activities?**

This story goes back to before and after the 4 June massacre. On 17 May this year, at Deng Xiaoping's home, Yao Yilin threw away all disguise in attacking Zhao Ziyang. He accused Zhao Ziyang first of disrupting the economy and pursuing a capitalist market economy, rather than a socialist commodity economy; second, of supporting turmoil; third, of splitting the party; and fourth, of being the "biggest government profiteer." Shortly before the convening of the 4th Plenary Session of the 13th CPC Central Committee, people believed that the first and fourth charges against Zhao were untenable. Therefore, at the 4th Plenary Session, Li Peng charged Zhao with supporting turmoil and splitting the party. But Zhao Ziyang did not admit that he had committed mistakes and that the student patriotic movement was a turmoil. The fact that none of their accusations against Zhao Ziyang were tenable, and that Zhao Ziyang had enjoyed a high reputation both at home and abroad, constituted the greatest threat to Li Peng and Yao Yilin. In the highest leadership stratum of the CPC, Zhao Ziyang is the most far-sighted, sober, and capable leader. However, due to first, the limitations of the system; second, his mistaken allegiance to Deng Xiaoping; and third, the environment in which he grew up, he cannot avoid playing the role of a tragic hero. In the whole process of the democratic movement in 1989 he fully showed his courage. He must be respected rather than condemned. I believe that many criticisms imposed on him are unfair. In 1987 and 1988 I was disappointed in him. However, I admire him immensely for what he did during the democratic movement in 1989.

Li Peng intended to destroy him completely. What accusation must he then level at him? He can do nothing but accuse him of collaborating with foreign enemies. A few years ago, several short sentences in your interview with Hu Yaobang were used to cook up charges against Hu. Due to the fact that China has been secluded from the world for a long time, many Chinese leaders are

blindly arrogant and know nothing about the international community. When Wang Fang's report was submitted to Deng Xiaoping in August 1988, a relevant department wanted me to write something about the Soros Foundation. I asked a friend why they wanted me to do so. He said: "When Yaobang fell from power, the problem of Lu Keng was regarded as one of his crimes. Now, some people are intending to use the Soros Foundation to find fault with Ziyang." I completely understood what he meant and wrote the material.

At an enlarged meeting of the CPC Central Committee Political Bureau held on 28 June, Wang Fang deceived the participants and his report was accepted as true. Li Peng used it as conclusive evidence to frame charges against Zhao. Wang Zhen raised a hue and cry: "Bao Tong must be put to death and Zhao Ziyang must be tried!" At first, I didn't understand why they cooked up such frightening charges. Of course, when I think of what they did during the 4 June massacre it is not difficult to understand why they did so.

Luckily, Mr Soros is a very clever and farsighted financier who has the spirit of humanitarianism. Knowing what happened in China, he wrote a letter to Deng Xiaoping, Jiang Zemin, and Li Peng to clarify the facts.

**Soros Wrote to Deng, Jiang, and Li To Strike Back**

[Lu] Excuse me, could I ask about the contents of Soros' letter? How did you get to know them?

[Chen] Soros sent me photocopies of the letters to these three people. He told me: "First, I founded the China's Foundation on Reform and Opening up for no other purpose than to help China with its reform and opening to the outside world and to help 1.1 billion people lead open, equal, affluent, and prosperous lives. Second, all activities organized by the foundation are open ones as are all items. They have nothing to do with subversion. Third, the foundation's money is all mine and I can produce all receipts; the money also has nothing to do with the Central Intelligence Agency." He stressed: "I will allow Mr Deng, Mr Jiang, and Mr Li to send people to the United States to conduct an examination of matters related to me and I am also willing to go to China. If you continue the reform and open policies, I will continue to provide funds." Very strangely, the letter was printed in China's red-headed document, known as "interior reference," not long after the letter was sent out. I think you probably know the document.

[Lu] Yes, I do. The document is generally known as "interior reference."

[Chen] Yes, it was carried by "interior reference." This amounts to a slap on the face for Wang Fang and also for Li Peng because Wang Fang's speech had been relayed to provincial army level. The speech was to the following effect: Zhao Ziyang and Bao Tong have established ties with Soros, a rich American businessman, through Chen Yizi and Li Xianglu, and Soros has close ties with the CIA. They aim at subverting the socialist system. All

localities are required to conduct an examination of individuals, organizations, and units that have received funds from the Soros Foundation. Soros' letter, which was carried in "interior reference," naturally serves as a shattering blow to their lies. As a result, the reasons for executing Bao Tong and subjecting Zhao Ziyang to secret trial are untenable. It was reported that someone later wrote Soros a reply but I have not read that letter. The gist of the letter was: As is known to all, a rebellion broke out in Beijing in June; nobody has said that your foundation has anything to do with the CIA. Mr Soros was clear about all this. Since he had achieved his objective and reaffirmed his viewpoints he felt at ease.

#### **Create the Coup To Settle Accounts With the Decade-Long Reform**

I think such an incident adequately serves to prove who had made contributions to China's reform and opening up to the outside world, who had undermined the drive using excuses of every description, who had established friendly ties with friends in all countries amid the reform and opening up so that the drive was carried out more successfully, and who had sabotaged this friendship in their own interests, throwing the state's and nation's interest overboard. The incident with respect to the Soros Foundation, or the China Foundation on Reform and Opening up, proves to the hilt that the 4 June massacre was a coup engineered by the corrupt forces and vested interests within the party to negate the decade-long reform in their own interests (Lu chimes in: In the interest of their privileges) and disregarding the interests of the state and nation. Likewise the cooked up charges and punishments against those who have worked at the forefront of the reform and opening up to the outside world and made contributions

[Lu] Your revelation sheds light upon one fact: No matter how the 1989 prodemocracy movement developed, the bloody suppression of the so-called "counter-revolutionary rebellion" was a plot, premeditated by conservatives, and 4 June was merely the date they selected.

[Chen] Correct.

[Lu] Only by so doing can they submerge the reform in a pool of blood and hold back the situation.

[Chen] Before 4 June, whenever students at Tiananmen Square were ready to make a compromise, the authorities enraged them in an effort to provide an excuse to suppress those in favor of reform and democracy.

#### **What Did the Foundation for Reform and Opening up Do?**

[Lu] Could you please talk about what the China Reform and Opening up Foundation did between January and July 1987 when you were chairman of the Chinese side in this foundation.

[Chen] I do not remember the concrete projects. The foundation approved about 70 to 80 projects and spent

more than \$400,000. The value of the agreement was not less than \$1 million. Hungary also contracted an agreement valued at \$1 million but they spent \$3.4 million in 1988. We in fact carried out activities for merely half a year. Because of Wang Fang's letter we basically stopped our activities in July 1987.

[Lu] It is my impression that he organized a delegation to visit Yugoslavia. Is that true?

[Chen] That happened in 1986.

[Lu] What outstanding projects did you carry out in 1987?

[Chen] Soros financed two of our projects in 1986. One was an inspection tour of Yugoslavia and the other was an inspection tour of the United States. The bills were jointly paid by Soros and Mr Lawson of the Sino-U.S. Relations Committee. The delegation was headed by He Guanghui, a deputy minister at the State Commission for Restructuring Economic System, and Xu Jingan, deputy director of the Structural Reform Institute, was deputy head of the delegation. In 1987, as one of the large projects arranged by the foundation, we received a Hungarian delegation led by Hademaiye [0761 1795 6701 5102], director of the Finance Research Institute of the Hungarian Finance Ministry, and Daerduoshi [6671 1422 1122 0087], director of the Economic Mechanisms Bureau of the Hungarian Academy of Science. This was their return visit to China after the delegation of economists from our structural reform institute visited their country. I was responsible for receiving this Hungarian delegation. They visited Beijing, Shenzhen, Xiamen, and Shanghai. A most important opinion they came to, they found that China was a miracle, a miracle of building socialism, after they visited Shenzhen. But they did not understand why it was necessary to oppose "bourgeois liberalization." They held that this concept was ill-defined and implicit and could easily cause problems.

[Lu] Problems have really been caused now.

[Chen] The second project was to organize some experts for an inspection group to tour Japan. In addition, we also financed the making of some historical records, a club of artists, some art salons, some art exhibitions, an inspection of the foreign fund market, and an inspection of the foreign finance system. None of these activities bore a strong political color.

[Lu] And they had no relation with subversion at all!

[Chen] No, not at all.

[Lu] As for Wang Fang's report. He must have some evidence. He could not just have been based it on hearsay. So what evidence do you think he grasped?

[Chen] In China, if you are out to condemn somebody you can always trump up a charge. Wang Fang acted as a proxy for some people behind the scenes but I will not name them today.

[Lu] In your opinion, what role did Liang Heng play in the establishment of the China Reform and Opening up Foundation?

[Chen] Liang Heng helped Mr Soros make his decisions and promoted the effective activities of the foundation. He also played a useful role in the communications between Mr Soros and the Chinese people.

[Lu] It is said that in order to protect himself, He Weiling sold out the Structural Reform Institute after the massacre on 4 June. Is it true?

[Chen] Hey, you are indeed well informed! (Ha, ha, ha...)

[Lu] What role did He Weiling play at that time?

[Chen] He played a promotion role.

[Lu] Yes, we should see things from a historical point of view and should not negate his positive role after he did something wrong later.

[Chen] He did a lot of useful work.

[Lu] What part did Mr Li Xianglu play?

[Chen] When agreement was almost reached I asked Li Xianglu to act as a representative of the Chinese side and as the chief representative in the Beijing office. He then handled a great deal of concrete affairs and did a great deal of useful work.

[Lu] According to what you just said, Zhao Ziyang did not give full support to the foundation from beginning to end. After reading Wang Fang's report he asked you to stop your contacts with Soros. In this sense, he had no responsibility for this case at all. Is that right?

[Chen] Yes, you can say so.

[Lu] Maybe some faults could be found with Bao Tong. Right?

[Chen] Bao Tong took charge of the work of the Structural Reform Institute and he also commented on the foundation. His opinion was discussed by the State Commission for Restructuring Economic System. So, Bao Tong should not bear any responsibility for this case. You know, in China, if one man becomes powerful, those near him ride on his coattails to success but if one man is charged with a crime, all his close and remote relatives and friends will also be implicated.

[Lu] Things may be more serious than that.

#### **The Attempt To Accuse Zhao Ziyang of Treason Reflected the Stupidity of Li Peng and Yang Shangkun**

[Chen] That is to say, when I want to topple you I must find fault with you and link you with some irrelevant things done by your subordinates so that charges can be framed against you. You will find it hard to defend yourself because you have been deprived of the right to speak.

[Lu] I have experience of this. However, they tried to use this as an excuse to accuse Zhao Ziyang of treason and this only reflected the stupidity of Li Peng and Yang Shangkun and exposed their own folly. Is that right?

[Chen] Yes. They were not only stupid but also malicious. They were malicious because the Chinese as a nation hate most deeply people who are treasonous. They thought that they could hoodwink the people but they did not know that by writing a letter, Soros could foil their whole conspiracy. It is still unknown whether they will continue to take advantage of this case.

[Lu] According to what you know, after receiving Wang Fang's report did Deng Xiaoping tend to believe, not believe, or half believe?

[Chen] If Mr Deng Xiaoping also took this as a problem with Zhao Ziyang he must have become quite irrational. If he only dismissed with a smile then he must have perceived that some people were conspiring behind the scenes. For a person of sense, and especially a politician, it is not hard to judge. How could the party's general secretary be bought over by the intelligence agency of a foreign country? How could he attempt to subvert the state? This is something extremely absurd. This made people feel that Li Peng was mean, contemptible, despicable, shameless, naive, and stupid in the extreme degree. This would only be held up to ridicule.

[Lu] This also showed how unscrupulous they were. It is still unknown how Zhao Ziyang will be handled. Maybe the conservatives tried to take advantage of the Soros event to deal a heavy blow at Zhao Ziyang in an attempt to knock him down with one blow. However, this stroke fell through and led to a stalemate. Can we view this case from this angle?

[Chen] From the very beginning I heard that Zhao Ziyang was charged with two crimes: supporting the turmoil and conducting subversion. Supporting the turmoil meant that he attempted to overthrow the proletarian dictatorship at home; conducting subversion meant that he colluded with foreign reactionary forces.

The two charges together were very serious but they were untenable. Those people were futile and they could not fabricate other charges. In China, the usual practice is to first find somebody guilty before gathering evidence. I think you must also have the same feelings.

[Lu] Thank you for telling us a story that reveals the very nature of the mass massacre on 4 June. The Soros Foundation event fully exposes that those with vested interests showed 10 times the frenzy and 100 times the hatred to reverse the advancing wheels of history. This was not only a tragedy for Zhao Ziyang and Deng Xiaoping but also a major tragedy for the Chinese mainland's reform and opening up. In the end, those conspirators who created this tragedy will never be pardoned by history. Let us wait and see!

**Dai Qing Reportedly Not Returned Home**

*HK0111015089 Hong Kong MING PAO in Chinese  
1 Nov 89 p 2*

[“Special” dispatch: “Family Members of Dai Qing Say She Has Not Returned Home”]

[Text] According to a report made by AGENCIE FRANCE PRESSE yesterday [31 October], sources in Beijing disclosed that Dai Qing, former GUANGMING RIBAO reporter, and Wang Luxiang, script writer of teleplay River Elegy, had been released by the Chinese authorities and were at present put under house arrest. Despite this, Dai Qing's family members said yesterday that Dai Qing was not at home and they knew nothing about her release.

These two intellectuals who were very active during the students' movement in China, were arrested after the 4 June incident.

**Li Tieying Speaks at Rural Education Conference**

*CW3110123189 Beijing Television Service  
in Mandarin 1100 GMT 26 Oct 89*

[From the “National News Hookup” program]

[Text] [Video begins with a long shot of the conference hall, followed by a medium shot of the rostrum where Li Tieying is seated with nine other persons. Participants, in close-ups, are shown listening, scanning notes, and applauding. Video ends with a lineup of people standing and holding citations. Li, not seen speaking throughout the footage, is quoted by the announcer.]

A national conference on experiments carried out under the “Prairie Project” and on rural educational reforms was held in Changsha on 25 October. Li Tieying, member of the CPC Central Committee Politburo, state councilor, and minister of the State Education Commission, delivered an important speech at the conference. He said: The rural economy must grow in a sustained and stable manner. Basically, such growth depends on scientific and technological progress and on improvement of the quality of rural labor. Leaders at all levels should show concern about the nation's future and do a good job in rural educational work in a highly responsible fashion. He emphatically stated: The Prairie Project is a combination of educational and economical undertakings aimed at integrating the fundamental, vocational, and adult-oriented aspects of education in rural areas. It also is a blend of pure and vocational education designed to train personnel and spur the economic and social development of rural areas.

He Dongchang, vice minister of the State Education Commission, also delivered an important address. He said: The Prairie Project is intended to seek a way suitable for China to develop its rural education. Per capita natural resources are limited in populous China. Under such circumstances, agricultural development

relies heavily on scientific and technological advancement and on the dissemination of scientific research findings. Such advancement and dissemination, in turn, depend on education.

Xiong Qingquan, secretary of the Hunan provincial party committee, extended warm greetings to the conferees on behalf of the provincial party committee and the provincial government. Representatives of 100 towns from various parts of China were awarded at the conference for having achieved remarkable results in trying out the Prairie Project.

Wang Mingda, vice minister of the State Education Commission, presided over the conference. Present at the meeting were leaders of the Hunan provincial party committee and the Hunan provincial government.

**Li Xiannian, Nie Rongzhen Endorse Foundation**

*OW3110065989 Beijing Domestic Service in Mandarin  
1200 GMT 30 Oct 89*

[From the “National Hookup” program]

[Text] The China Youth Development Foundation, founded last March, declared at its first news briefing today the establishment of China's first foundation for assisting young people in impoverished areas who are unable to go to school.

According to the spokesman of the foundation, the program, which is called Operation Hope, has had the endorsement and support of revolutionaries of the older generation, and Comrades Li Xiannian and Nie Rongzhen have written messages for the program. Li Xiannian's message reads: Help the young people in impoverished areas unable to attend school, establish among the public the good habit of caring for young people. Nie Rongzhen's written message reads: For the sake of our children, for the sake of the future.

Despite the fact that basic education has developed rapidly in China over the past 40 years, 97.1 percent of school-age children were enrolled in schools in 1988, and the percentage of school-age children attending school in the rural areas has risen to 95 percent, approximately one-third of the nation's 220 million students quit after attending primary school, another one-third after attending junior middle school, and less than 30 percent of the total number of students in the country are able to attend senior middle school. On the average, each person in the country has received education for less than 5 years. Furthermore, the dropout rates in middle and primary schools have still been rising in recent years. In impoverished areas, the problem of students quitting school is even more serious.

This being the case, the China Youth Development Foundation will seek donations to establish a financial assistance fund, which will be spent directly and entirely on assisting young people unable to attend school, as well as schools in impoverished areas needing help.

The spokesman also said that the program would be carried out fully in a planned manner. He expressed the hope that the assistance program would have the support of people from all walks of life in the country, so that there would really be glad tidings for young people unable to attend school.

### **Li Ruihuan Attends Ceremony Honoring Opera Star**

*OW2410101489 Beijing XINHUA in English  
0854 GMT 22 Oct 89*

[Text] Beijing, October 24 (XINHUA)—A white marble bust of China's most famous opera artist, Mei Lanfang (1894-1961), was unveiled here Monday to mark the 95th anniversary of Mei's birth.

The bust, located in the courtyard of the Mei Lanfang Memorial Museum, is the work of noted sculptor Liu Kaiqu in cooperation with his student Bai Lansheng.

Li Ruihuan, a member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, and Xi Zhongxun, vice-chairman of the Standing Committee of the National People's Congress, unveiled the bust. More than 100 people from all walks of life attended the ceremony.

During a theatrical career, begun at the age of 5 and spanning more than 60 years, Mei perfected Chinese theatrical traditions and developed new dramatic techniques to create what became known as the "Mei Lanfang school."

Li Ruihuan said at the ceremony that to build socialist culture it is necessary to value and develop the fine cultural traditions of the Chinese nation. "Though people in other countries criticise our shortcomings, but they highly respect the fine cultural traditions of our nation," he said.

### **Ding Guangen Attends Anniversary Meeting**

*OW3110153989 Beijing Domestic Service in Mandarin  
1200 GMT 25 Oct 89*

[Text] The Central Committee of the Revolutionary Committee of the Chinese Kuomintang held a forum at the Great Hall of the People today to mark the 100th birth anniversary of (Chen Mingshu), noted patriotic democratic figure, patriotic general, political activist, and one of the cofounders of the Revolutionary Committee of the Chinese Kuomintang.

Ding Guangen, alternate member of the Political Bureau of the CPC Central Committee and member of the Secretariat of the CPC Central Committee; and Liu Lantao, member of the Standing Committee of the Central Advisory Commission of the CPC Central Committee, attended the memorial meeting.

National People's Congress [NPC] Vice Chairman Xi Zhongxun spoke at the memorial forum on behalf of the CPC Central Committee. He said: The life of (Chen

Mingshu) spanned three different historical periods; namely, the old democracy period, the new democracy period, and the socialist period. Historically, he first espoused patriotism and then socialism. As a young man determined to save the country, he gave up his literary aspirations to join the Army. He followed Dr Sun Yat-sen. He joined a secret society formed by Dr Sun Yat-sen. He took part in the 1911 Revolution. He fought in the war against Yuan Shikai. He was also active in the movement to defend the Constitution. During the war of resistance against Japan, he supported the cooperation between the Kuomintang and the Communist Party and was active in antiJapanese and democratic activities. After the founding of New China, (Chen Mingshu) assumed such important leading posts as member of the NPC Standing Committee, member of the Chinese People's Political Consultative Conference Standing Committee, and member of the Standing Committee of the Revolutionary Committee of the Chinese Kuomintang. He actively took part in state's political life and in patriotic united front work. He advanced many valuable suggestions when taking part in meetings on consultation and discussion of the state's major policies.

Qu Wu, honorary chairman of the Revolutionary Committee of the Chinese Kuomintang Central Committee, presided over the memorial forum.

### **Article Discusses Military Training for Students**

*OW3110014689 Beijing BEIJING REVIEW in English  
No 44, 30 Oct-5 Nov 89 pp 4-5*

[Article: "Fresh Term for the Freshmen"]

[Text] Military and political training for Beijing University freshmen is an experiment in exploring ways of nurturing qualified college students," said He Dongchang, vice-minister of the State Education Commission.

He was speaking at the opening ceremony October 12 at Shijiazhuang Army Academy of the year-long military and political training course for freshmen from Beijing University.

Wearing new uniforms, 748 freshmen from 27 of China's provinces, cities and autonomous regions attended the ceremony. This is the first time that Chinese college students have undertaken a full year of military and political training.

"Compared with speciality teaching, ideological education has been weak in recent years," he said.

Military and political training was one of the ways to improve the ideological standards of students and their understanding of the nation's circumstances, the vice-minister added.

Army academies have a long history of carrying out ideological and political education and local schools should learn from them, he said.

**Wu Shuqing**, the newly-appointed president of Beijing University, expressed his hope that the freshmen would recognize the kind of personnel needed by the state and learn the best way to make themselves useful.

"Military and political training will give you a fine environment to grow up in," Wu said, so, you should value the opportunity and train yourselves to be of high political consciousness."

Founded in 1977, the Shijiazhuang Army Academy is China's best cradle for junior officers. It covers an area of 360 hectares with an enrollment of 3,400, and is equipped with up-to-date teaching facilities.

During the nine-month-long military and political training period, the students will also study Chinese, English and other general knowledge courses. The remaining three months are winter and summer vacation.

There are 60 teachers of whom 26 are regimental commanders and the others are professor, associate professors and lecturers.

The 748 students are divided into six squads with women making up two of the squads.

Recently, the academy conducted an opinion poll in one of the six squads which has 120 students from such departments as mathematics, geophysics, sociology and Russian.

The results of the survey, done anonymously, show that 98 students consider the training necessary while the other 22 thought it unnecessary.

The survey also asked three questions: "What did you worry about most after entering the academy? What do you want to know most and what are your suggestions about the training?"

The majority of the freshmen worried about the prospect of not being able to handle tough training and that their studies might be affected.

More than half of the students cared most about how to fulfill their training tasks, while 40 of them cared most about their diet.

"People can't survive without food," one student wrote. Another student said, "I care most about the government's attitude toward college students and China's political situation."

More than 60 percent of those surveyed wanted more recreational activities and more time to themselves. More than 20 students suggested more time for their own special studies.

"Military training is good for the willpower and health," said Ye Haidong, a student of mathematics from Beijing. "Whoever you are and whatever you do, you should have the brave and staunch quality of a soldier."

An official of the State Education Commission noted that military and political training for college students has been China's consistent policy. Beijing University freshmen carrying out the practice is by no means a punishment, he said.

"As a key university directly under the State Education Commission, graduates of the prestigious Beijing University should be fit for socialist construction," the official added. "They should have a clear political orientation and sound morality, intelligence and be physically strong."

He disclosed that this year an eight-week military and political training course is being carried out at 143 colleges and universities nationwide. Some students are sent to military camps, while others go to military academies. In some cases officers are invited to the campuses.

### Labor Reform Debates 'Heating up'

HK3110052289 Beijing CHINA DAILY in English  
31 Oct 89 p 4

[Text] The labour reform that aims to regroup the best labour power under the best management within given enterprises and institutions has cooled down in the past year while media debates on its nature are heating up.

Only in Beijing is the reform still being ardently pursued.

One of the main points of the reform is that it allows work units to sack people they deem redundant. The policy, when first introduced a few years ago, received a warm welcome for its obvious advantage: Per capita productivity is maximized if everyone finds the job that best suits his abilities following selection between bases and subordinates at various levels.

Policy makers described the policy as "optimum reorganization of labour," implying that those who fall short of expectations in their work duties will have to face dismissal.

As job security is no longer assured, all will, in theory at least, compete with their fellow workers in order to keep their jobs, and in this way productivity is improved.

Criticism soon emerged that the reform breaches the workers' right to work and fosters factions within the workplace, which has often been found to be true.

A manager, for example, is entitled by the policy to employ an unqualified relative in his company, while on the other hand, the foreman of a factory workshop can refuse to accept a worker who has offended him outside the factory.

The worries that hang over workers as a result of this policy could make them too compliant and docile to their superiors, impeding their development. Despite the problems, advocates of the reform have not backed down, though they now admit that improvements to the policy are imperative.

A signed article by Bao Yueyang published in ECONOMIC INFORMATION insists that the reform should continue because most of the work units that have experimented with it have not had the problems that critics raise, and that the problems that did occur were not as serious as they were represented.

Quoting a hotel manager, Bao said that a worker can still find a job even if his team leader rejects him for personal reasons, because it is impossible to fall out with all team leaders.

On the other hand, Bao said, it is reasonable for a manager to have under him those who will listen to him as this helps him to carry out his tasks.

Personal revenge by leaders on the grounds of this policy are still possible, Bao concedes. But he said this problem should be solved by perfecting the policy and amending it with accessory regulations and laws, not by terminating the policy itself.

Bao said one issue that has put the policy into question concerns the state propaganda of adequate employment in the 40 years since the founding of New China.

Popular attitudes created by such propaganda has made the workers resistant to any measures that may break their "iron rice bowls," Bao said.

#### Article Cites Retiree Benefits

OW2910191389 Beijing XINHUA in English  
1520 GMT 29 Oct 89

[Text] Beijing, October 29 (XINHUA)—Life of some 20 million retirees in China is secured with management and service work for the retirees improved in the past few years.

The number of China's retirees has increased rapidly in the past 40 years. In 1952, the number of the retired workers was only 20,000, in 1978 it rose to 3.14 million and in the past 10 years, 1.6 million workers retired every year. By the end of 1988, the country already had 20 million retirees and pension also increased from 1.63 billion yuan in 1978 to nearly 30 billion yuan in 1988.

A sample survey conducted in March this year shows that retired workers in state-run sectors earn 110 yuan a month which includes various subsidies. Their life is secured on the whole.

#### QIUSHI No 21 Table of Contents Published

HK3110094289 Beijing RENMIN RIBAO in Chinese  
30 Oct 89 p 7

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[Text] Article by Li Peng: "Have a Correct Understanding of the Current Economic Situation, Do a Better Job in Economic Improvement and Rectification—Speech at a National Production Work Meeting on 11 October 1989"

Article by Zhou Keyu: "Strengthen Faith in Marxism, Make Great Efforts To Strengthen Study, Propaganda, and Research on Marxist Theories"

Article by Hou Qican: "Li Dazhao and Marxism—Commemorating the Birth Centenary of Li Dazhao"

Article by Wu Jianguo: "On the Root Cause of the Phenomenon of Corruption—Analysis on Relationship Between Bourgeois Liberalization and the Phenomenon of Corruption"

Article by Niu Xinfang: "Master Philosophy and Benefit From It All One's Life—On Leading Cadres Studying Philosophy"

Article by Zhu Rongji: "Adhere to the Road of Technological Progress"

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Article by Lin Ling: "An Important Question Concerning Contracted Management of Enterprises"

Article by Wang Yihui: "Launch Mass Cultural Activities, Make Efforts To Cultivate Enterprise Spirit"

Article by Yi Yunwen: "Strength From Being 'Serious'"

Article by Gao Xin: "Sparks of Science and Technology Speed the Blooming of Flowers of Arts—A Random Talk on Teleplay 'Joy of Ba Shan'"

#### Science & Technology

#### Li Peng Stresses Reform to Science Counselors

##### Beijing Radio Report

OW2910004889 Beijing Domestic Service in Mandarin  
1030 GMT 28 Oct 89

[From the "National Hookup" program]

[Text] Premier Li Peng had a meeting in Zhongnanhai this morning with representatives attending a conference of counselors in charge of scientific and technological affairs at Chinese embassies abroad.

After hearing a brief report on the conference, Li Peng said: Chinese scientific-technological personnel stationing abroad are good workers. Although they were stationed overseas when the counterrevolutionary rebellion took place in Beijing, their hearts were in the motherland; and they withstood the test.

Li Peng said: It was not accidental that some Western countries whipped up an upsurge against China. These countries have never given up hope that China's socialist system would change through a peaceful evolution. The counterrevolutionary rebellion has made us even more sober, and taught us that we must do two things simultaneously: While we must proceed with reform and

opening to the outside world, we must firmly adhere to the four cardinal principles. And, while we must continue to display the spirit of self-reliance, we should not ostracize ourselves from the outside world. We will continue to promote our economic, trade, and scientific-technological cooperation with other countries. I hope you will uphold these principles and work harder to achieve new successes in promoting international scientific-technological cooperation.

Wu Xueqian, Song Jian, and others were also present at the meeting.

### XINHUA Report

OW2810185989 Beijing XINHUA in English  
1532 GMT 28 Oct 89

[Excerpts] Beijing, October 28 (XINHUA)—China will continue to develop international scientific and technological exchanges and cooperation to serve the four modernizations.

Premier Li Peng said this while meeting at Zhongnanhai this morning with scientific and technological counselors working at Chinese Embassies abroad. [passage omitted]

After briefing the representatives on the domestic political and economic situation, Premier Li Peng said that the major item on the agenda of the forthcoming Fifth Plenary Session of the 13th Central Committee of the Communist Party of China (CPC) will be the discussion of rectifying economic order and deepening reform.

"Developing the national economy will rely on the advance of science and technology. We should carry on the spirit of self-reliance while continuing to open to the outside world," the premier pointed out.

Vice-Premier Wu Xueqian, State Counselor Song Jian, Secretary-General of the State Council Luo Gan and Minister of Foreign Affairs Qian Qichen also attended the meeting.

### Li Tieying Attends Satellite Station Opening

OW0111073189 Beijing Television Service  
in Mandarin 1100 GMT 31 Oct 89

[From "National News Hookup" program; by reporters Wang Jianhong (3769 1696 1347) and Re Heman (3583 0678 2581)]

[Text] [Video opens with a long shot of people seated in the open air, clapping. An unidentified man is seen standing, giving a speech. Leaders are seen seated in two rows in a shed. Cuts to shots of TV screen showing two men cutting ribbon] The Lhasa Uplink Satellite Station formally opened today [31 October]. From now on, through the satellite links of the Ministry of Posts and Telecommunications, TV news and programs from

Lhasa can be directly transmitted to the Central Television Station in Beijing and promptly broadcast throughout the nation.

Li Tieying and other leading comrades attended the opening ceremony at this station this afternoon. Party, government, and military responsible persons of the Tibet Autonomous Region also attended the opening ceremony in Lhasa at the same time. [Video shows closeup of Li Tieying, other leaders seated in a room, watching a TV screen. Cuts to Li Tieying, seated at a table, holding a telephone receiver in his right hand, talking].

[Begin Li Tieying recording] The Central Committee and the State Council warmly congratulate the opening of the Tibet Uplink Satellite Station. [end recording]

[Video intercuts between shots of local leaders in Lhasa and attendees at the opening ceremony at the Central Television Station during the remainder of the report] Construction of the Lhasa Uplink Satellite Station is an important matter in the political and cultural life of the people of all nationalities in Tibet. It shows the concern of the party Central Committee and the State Council for the people of all nationalities in Tibet. The completion of this satellite station will help tremendously to popularize the principles and policies of the central authorities, as well as Tibet's achievements in construction, spread knowledge in science and technology, and enrich the cultural life of the masses.

### Military

#### Article Praises Chengdu Air Route Programmers

HK2710105289 Beijing JIEFANGJUN BAO  
in Chinese 5 Oct 89 p 2

[Article by Zhang Dongfeng (1728 2639 7364) and Yan Zhenghao (7051 2973 3185); "Programmer of Air Routes—Chengdu Aviation Center of the Chengdu Military Region's Air Force"]

[Text] The southwest of our motherland is so hilly that for centuries people have exclaimed that it is more difficult to walk on land than to fly. They never knew that it is actually tougher in the air. High above the land in the southwest, the weather is always unpredictable. The flight paths are quite busy. Thousands of airplanes cross everyday. Any negligence is a tremendous threat to flight safety.

The Chengdu Military Region's Air Force is responsible for the protection and construction in the great southwest of our motherland. It has a department that specializes in air route programming—the Chengdu Aviation Center. Comrades here have designed countless air routes for the Air Force to practice flying, provide disaster relief, and transport resources for emergency needs. People call them "air route programmers".

On one occasion we had the chance to visit the control center of the Chengdu Aviation Center. A huge air routes map greeted us. Drawn it were many straight air routes in different colors, crossing one another. The lines joined in all directions and it looked like a beautiful piece of embroidery. Behind each of the colored lines is a moving story.

A telephone call came from the people's government of Sichuan Province, late on the night of 2 September, 1986, requesting help. In the Yingshan District a large number of people were suffering from white arsenic poisoning. The Air Force was urged to provide emergency help to deliver 3000 bottles of antidote to Yingshan. The associate head of the center, Wu Zhouquan, and staff officer Li Yi, were on duty. Upon receiving instruction from their superior, they ordered the relevant staff to prepare for emergency take-off. At the same time, they studied the landscape and the weather on the route to decide which was the best landing site. The route had to be safe for the medicine to reach the patients in time. Very quickly Wu and Li contacted the meteorological department and obtained detailed information on the weather conditions along the route for the next few hours. Based on this information they analyzed the flight conditions and calculated the time needed for the flight to Yingshan. In less than an hour a special route drawn in red, from Chengdu to Yingshan, and a flight schedule, appeared on the flight map. In a short time, a plane was loaded with medicine and took off on time. It broke into the silence of the night and proceeded along the planned route. Before daybreak it had landed safely on a space that skirted Yingshan. One hundred and sixty-four patients were saved. Their families and friends grabbed the aviator's hands in gratitude.

The mysterious Qinghai-Tibet plateau was once called "a restricted area in the air." One can imagine the difficulties in delivering material resources by air and providing emergency relief there. In November 1985, a disaster occurred on the north of the Qinghai-Tibet plateau. As many as 13,000 Tibetan nationals and more than 800,000 heads of cattle were trapped in a vast ocean of snow. Both people and cattle were starving; the situation was critical. Beijing assigned an extremely urgent task to the Chengdu Air Force, to reach the site of the disaster, helicopters had to fly across several mountain ranges, and overcome unpredictable and unstable meteorological conditions. At the greatest speed and within the least time, comrades of the aviation center had drawn a "life route" for the aircraft to enter the disaster area to rescue countless lives. For the first time helicopters flew above the "backbone of the world." The green route that had been drawn on the map continued to extend into the hinterland of Qinghai and Tibet as the relief tasks became heavier until it reached Meto, the "isolated island of the highlands" in Tibet, the only county in China without roads. The aircraft delivered more than 240 tons of clothing, food, medicine, items for daily use, and cattle feed in time. The victims had been without supplies for several days. An elderly woman

holding the hands of her three grandsons stood by her almost crumbling tent. Looking at the helicopter that seemed to have descended from the sky and on which was glittering an "August 1 Army emblem," she kept murmuring, "Holy hawk! The Communist Party has sent a holy hawk to rescue us!"

The comrades of the Chengdu Aviation Center are air route designers and life savers. One day last summer a Boeing 737 civil aircraft with more than 100 passengers flew from Chengdu to Beijing. Shortly after take-off the aircraft had a problem. It tried landing at several airports, but failed because of fog and poor visibility. At this moment staff on duty at the Chengdu Aviation Center immediately informed the radar and aviation communication equipment centers of the Air Force in the vicinity of Chengdu, to use an aircraft to search for and guide the Boeing plane. At the same time they asked several airports nearby to prepare for the Boeing plane to land, and told other planes to stay away so as to leave a flight path. Then the Air Force guided the Boeing plane to land safely at an airport.

Whether it is to provide aid after a natural disaster or to carry out an emergency assignment, the comrades of the Chengdu Aviation Center can create in time, safe and clear routes for the aircraft. One cannot calculate how much relief materials have been delivered, how many lives saved, and how many emergency tasks completed on these routes in the last few years.

## Economic & Agricultural

### Contract System Linked to Higher Profits

OW3010013589 Beijing Domestic Service in Mandarin  
1200 GMT 29 Oct 89

[By XINHUA reporter Wu Xusheng—from the "National Hookup" program]

[Text] The widely adopted contract system has produced enormous economic benefits. According to the Committee for Guiding Business Management under the State Council, after adopting the contract system 2 years ago, industrial enterprises operating with state budgets have yielded additional profits and taxes amounting to 3.5 billion yuan. That is equivalent to the total additional taxes collected from enterprises during the 1980-1986 period.

According to the committee, Chinese enterprises started to expedite their reform in late 1986 by adopting all kinds of contract-based operations, focusing on changing operating mechanisms. By the end of 1988, over 90 percent of industrial and commercial enterprises operating with state budgets were under contract. In the case of large and medium-size enterprises, the percentage was 95 percent.

According to an official of the State Council committee, the rapid development of the contract system in the

country can be attributed to the fact that it is in line with the national situation and the objective needs of China's current productivity; and that it has quite successfully resolved the issues of responsibilities, rights, and privileges between the state, enterprises, and workers. Since the system has given enterprises full authority to make their own decisions and relatively independent economic responsibilities, as well as economic benefits, it has aroused the production enthusiasm of enterprises and their workers, according to the official.

The official added: The rapid development of the contract system has not only reversed the trend of dropping profits, which had gone on for 20 months before the adoption of the contract system, but also has expedited the reform of enterprises' leadership, distribution, hiring system, and personnel management. Moreover, the contract system has facilitated and given impetus to the restructuring of the entire economic system.

The official pointed out: Enterprise reform takes time to develop. Since it still has many problems, the contract system must be further studied so that it can be further improved.

#### **Commentary Views Contracted Responsibility System**

*HK0111074189 Beijing NONGMIN RIBAO  
in Chinese 23 Oct 89 p 1*

[Commentator's article: "Believe in Policy Rather Than Rumors"]

[Text] Two comrades from the suburbs of Yancheng, Jiangsu, wrote a letter to a department, saying:

"Recent rumors here said that the contracted responsibility system, with payment linked to output and which runs counter to the socialist orientation, is a mistake. The central authorities intend to rescind the policy concerning the system of contracted responsibility, with payment linked to output, and to resume the 'three-level ownership by the commune, the production brigade, and the production team, with the production team as the basic accounting unit.' There are also rumors that 'the central and provincial authorities are discussing specific measures for implementation.' As the peasants worry that 'working with a lot of empty talk and little accomplishment' will prevail soon, they would suffer by increasing investment in agriculture and sideline occupations at the moment. As a result, their enthusiasm for purchasing farm materials has cooled. They are not even interested in collecting and applying organic fertilizer..."

These two comrades expected a definite reply as soon as possible to this question: Will the central authorities change the policy concerning the system of contracted responsibility, with payment linked to output?

Rumors spread in other localities also said that policies similar to the system of contracted responsibility, with payment linked to output, will change. Hence, it is necessary to clarify the question here.

It should be noted that the policy of the central authorities on the system of contracted responsibility, with payment linked to output, is clear. While discussing the question of agriculture, Comrade Jiang Zemin particularly stressed in his speech delivered at the 40th anniversary of the PRC founding: "We should continue to deepen rural reforms, implement stable rural policies, improve various forms of the contracted responsibility system, with payment linked to output, establish and perfect a system of technical services for the entire process of agricultural production before, during, and after the farming season, and at the same time promote operation on a rational scale on the basis of peasant volunteering and in localities where conditions permit." Comrade Jiang Zemin's remarks teach us that the system of contracted responsibility, with payment linked to output, will be stabilized and perfected. As it is to be stabilized, it cannot be rescinded. Similarly, it can be perfected only on its original foundation. Without a foundation, how can we talk about perfection? Without the contracted responsibility system with payment linked to output, how can we talk about technical services for the entire process of agricultural production before, during, and after the farming season?

The "promotion of operation on a rational scale" should be based on "permitting conditions," "peasant volunteering," and "steadiness." Moreover, it is not tantamount to a return to the "three-level ownership by the commune, the production brigade, and the production team with the production team as the basic accounting unit." That was smashed nationwide by rural reform long ago and replaced by the system of contracted responsibility with payment linked to output. The central authorities have reached a conclusion on this and affirmed the change. The "Resolution of the CPC Central Committee on Certain Historical Problems Since the Founding of the PRC," adopted by the 3d Plenary Session of the 11th CPC Central Committee, pointed out that the people's commune, characterized by "larger in size and a higher degree of public ownership," encouraged egalitarianism, leaped over stages, and was divorced from the reality of China's rural areas at the current stage. Thanks to the "Great Leap Forward" and the people's commune movement, the "leftist" mistakes characterized by high quotas, giving arbitrary and impractical directions, and the "communist wind" spread unchecked. The resolution on certain historical problems is a historic document of the party, and the conclusion drawn is a historic conclusion. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has led the people in seeking truth from facts and thoroughly straightening out the "leftist" things concerning the "Great Leap Forward" and the people's commune. The CPC Central Committee will never allow these "leftist" things to be repeated now or in the future.

The 1982 Constitution of the PRC stipulates that the structure of the people's commune, which integrates government administration and economic management,

shall be abolished and be replaced by the rural government, which serves as an organ of power at the grass-roots level. Hence, as a system of political power at the basic level, the people's commune was abolished long ago. How can we return to the "three-level ownership by the commune, the production brigade, and the production team?"

Viewed from the party's policies and state laws, it is unlikely that the system of contracted responsibility, with payment linked to output, will be rescinded and that "working with a lot of empty talk and little accomplishment," "going back to the collective," and the "big pot" will be allowed to be repeated. We must have no doubt on this point.

To sum up, we should believe in policy rather than rumors.

#### Article Compares Planned, Market Economies

OW2910060589 Beijing GUANGMING RIBAO  
in Chinese 7 Oct 89 p 3

[Article by Wang Haiping (3769 3189 1627): "A Preliminary Exploration of the Combination of Economic Planning and Market Regulation"]

[Text] Over the past few years, there have been different views on the operation of the socialist economy. This is not just a theoretical question, but a major, practical issue concerning the restructuring of our national economy. I would like to discuss my views on this.

#### The Overall Characteristics of Two Different Economic Operations—the Planned Economy and the Market Economy

In modern society, there are two basic types of economic operations: One is the planned economy; the other is the market economy. No economist would deny this. However, as for what is a planned economy and what is a market economy, economists have come up with many theories. They are two simple, totally different concepts. The so-called planned economy means that the national economy is developed in a planned way. The national economy referred to here is a nation's total economic activity. "In a planned way" is used here in terms of the government of a country. Therefore, if the national economy of a certain country is generally not left alone to develop blindly, but is controlled by the government in a planned and purposeful manner and with a specific objective in mind, this economic system is a planned economy. The so-called market economy means that the economy operation is generally left alone to regulate itself spontaneously through the law of value. Under this system, what to produce, how much to produce, and how to produce are decided and dictated by the market. In a market economy, the orientation of economic development and the proportional relations between major sectors of the economy come into being and evolve as an objective result of market regulation. Therefore, a market economy is an unplanned, anarchical economy.

Certainly, an unplanned, anarchical economy is not limited to a market economy. In the stage of natural economy when the level of the productive forces is still very low, the role of the market and commodity exchange is limited, the law of value is insignificant as a spontaneous regulator, and production is chiefly to satisfy the producer's or his family's needs. Such an economy cannot be called a market economy. It is neither a planned economy nor a market economy. It is an unplanned, anarchical economy.

Obviously, either a planned economy or a market economy refers to the overall characteristics of the economic operation of a country. The terms are a generalization of the overall characteristics of that country's economic operation. A socialist economy is called a planned economy because the overall characteristics of a socialist economy are manifested by economic planning. A capitalist economy is called a market economy because the overall characteristics of a capitalist economy are manifested by the market. There is a twofold meaning here: First, both a planned economy and a market economy belong to the category of economic operation. There is a systems factor involved. Both are based on certain social production relations, particularly relations concerning ownership of the means of production. They both are dictated by production relations and reflect these production relations. A planned economy inevitably reflects socialist production relations, especially relations concerning ownership of the means of production; while a market economy inevitably reflects capitalist production relations, especially relations concerning ownership of the means of production. The main characteristic of an economy based on socialist public ownership is economic planning; by the same token, the main characteristic of an economy based on capitalist private ownership is the market. Second, both a planned economy and a market economy belong to the category of economic operations on account of their overall characteristics, not their specific forms, contents, and processes. In spite of the main characteristics of either a planned economy or a market economy, their specific forms, contents, and processes can be varied and flexible. Certainly, in adopting and designing the specific forms, contents, and processes, it is necessary not to undermine or give only lip service to the main characteristic of either a planned economy or a market economy. Therefore, under socialist conditions, no matter what specific forms, contents, or processes are adopted, how they are combined, or how they evolve, the final manifestation of the economic operation should be, and can only be, a planned economy. Under capitalist conditions, no matter what specific forms, contents, or processes are adopted, how they are combined, or how they evolve, the final manifestation of the economic operation will certainly, and can only, be a market economy.

There can be only one overall operational characteristic under any kind of economic system. Under the system of a planned economy, it is impossible to have the main

characteristic of a market economy, and vice versa. By the same token, when the main operational characteristic of a socialist economy is that of the planned economy, it is impossible to have the characteristics of a market economy at the same time; when the overall operational characteristic of capitalist economy is that of a market economy, it is impossible to have the characteristics of a planned economy. Neither the planned economy or the market economy are "neutral" by nature. They are diametrically opposed to each other. One is socialist and the other is capitalist by nature, and we should be firm on this.

#### **Regulation Through Planning and Regulation Through the Market—Two Different Means To Effect the Main Characteristic of Economic Operations**

Some people, either knowingly or unknowingly, equate the planned economy with regulation through planning and the market economy with regulation through the market. This is wrong. They are two pairs of different but related concepts. They are different in that the planned economy and the market economy refer to the overall characteristic of economic operations, while regulation through planning and regulation through the market are two different means for effecting and inducing economic operations. These two pairs belong to different levels of concepts, with the former at a higher level and the latter at a lower level.

The system of economic operations is an objective and regulated process of movement dictated by two forces—regulation through planning and regulation through the market. The so-called regulation through planning refers to economic behavior taken by the government for guiding and restricting enterprises in order to formulate and fulfill a unified state plan and to promote the development of a national economy according to the government's wishes, including the steps taken by the government to formulate the plan and the series of policies, measures, and activities taken by the government to fulfill the plan. Obviously, the government is the main regulatory body through planning, which is the government's way to exercise economic management. Under the system of a commodity economy, regulation through planning is reflected mainly in the government's conscious observation and application of the law of value. However, regulation through the market is a process of spontaneous application of the law of value in commodity production and exchange. There are two ways of applying the law of value. One is the conscious application by the government in regulating the order of commodity production and exchange in the whole society, which constitutes the main contents and pattern of regulation through planning based on a commodity economy. The other form functions as an independent law according to its intrinsic pattern which is the spontaneous application of the law of value, or regulation through the market. Obviously, due to the limitations of various subjective conditions, it is always insufficient, useless, or inappropriate for the government to apply the law of value. As a result, regulation through the market

always exists under the condition of a commodity economy. Therefore, for a fairly long period of time in the social development of mankind, regulation through planning and regulation through the market will coexist and be combined instead of being opposed to each other. Regulation through planning and regulation through the market are applicable to both the socialist and the capitalist systems. In this sense, regulation through planning and regulation through the market are both neutral. They are neither capitalist nor socialist by nature.

There are connections between a planned economy and planned regulation on the one hand, and between a market economy and regulation through the market on the other. To demonstrate the general characteristic of a planned economy in the operation of an economic system, it is necessary to make planned regulation play the primary role and market regulation the secondary role. On the other hand, to demonstrate the general characteristic of a market economy in an economic operation, it is necessary to make market regulation play the primary role and planned regulation play the secondary role. The "primary role" of planned regulation (or market regulation) means that the orientation for and the nature and basic pattern of the general operation of the national economy, as well as some other major problems such as ratio and proportion, are determined by planned regulation (or market regulation). The "secondary role" of market regulation (or planned regulation) means that market regulation (or planned regulation) is made to play a role as a positive and necessary supplement and assistant to planned regulation (or market regulation). Of course, in a different period of time and under different conditions, the extent of planned regulation (or market regulation) may be changed. We may increase the degree of planned regulation during the period of readjustment, but in another period we should employ market regulation more than planned regulation. No matter what changes are made, they must not affect the general characteristics of a socialist economy.

#### **The Integration of a Planned Economy With Market Regulation—The Basic Principle for the Reform of the Economic System in China**

Influenced by complex factors, China has practiced an economic management system which is overcentralized and basically relies on unitary planned regulation. Facts have shown that although this system has played a positive role in the past, it has also done great harm. Moreover, it has become increasingly unsuited to the development of a socialist economy. It has, to a certain extent, employed the management method for a communist product economy to manage a socialist commodity economy, and has replaced the planned economy for the socialist stage with the planned economy for the higher stage of communism. Therefore, it is necessary to reform this management system. However, we must not blame all the problems of the past on a "planned economy," nor should we advocate that reform means doing away with a "planned economy." I think it will be better to

restore the original features of the socialist planned economy than to do away with a planned economy, because there is a planned commodity economy within the socialist planned economy.

The operation of the commodity economy has its own laws, but there are also natural ways by which the operations are regulated. Regulation by the market is one of them. Its existence is objective whether the subjective view favors them or not. The socialist commodity economy is no exception. This is a general rule for the commodity economy. On the other hand, the socialist commodity economy has a unique nature compared with the commodity economy in general. It is a commodity economy in which socialized mass production and the socialist public ownership of the means of production hold a dominant position. Because of this, it is necessary and possible for it to develop mainly on the track of regulation by the state plan. It manifests the general characteristic of a planned economy, but it differs from the high stage of the communist planned economy because it is a planned economy in which regulation by the market continues to exist. The realization of this planned economy depends on the force and role of the market as a regulating mechanism. In this sense, we may say that the salient feature of the planned economy at the socialist stage is the combination of the planned economy with regulation by the market.

Not only does the combination of the planned economy with regulation by the market show the fundamental salient feature of the planned economy at the socialist stage, but it further reveals the basic principle of the economic reform conducted by our country. It not only makes clear the general characteristic of the operations of the socialist commodity economy—that is, that it should be a planned economy rather than a market economy—but it also affirms the necessity of bringing the force and role of regulation by the market into full play in order to practice the socialist planned economy. To realize the combination of the planned economy with regulation by the market, we must adhere to the planned economy while combining regulation by plans and regulation by the market in reforming our economic structure. It is imperative to firmly grasp the following three points in conducting practical reform:

1. It is imperative to energetically introduce and expand the force of regulation by the market. Our old economic structure ruled out regulation by the market. To reform the old structure, we should first introduce and expand the force of regulation by the market. Ceaseless efforts should be made to create and improve the environment and conditions favorable to the full development of the role of regulation by the market. As long as the general characteristic of our economic operations is not affected, we should do as much as possible to expand the scope of regulation by the market, increase its force, and improve its mechanism.

2. We should ensure the position of regulation by plans as a dominant force playing a decisive role in the

operation of our national economy. The expansion of the scope of regulation by the market, the increase in its force, and the improvement of its mechanism will inevitably reduce and replace to some extent the role of regulation by plans in certain spheres. This is natural and normal. Nonetheless, the decisive role and dominant position of regulation by plans should not be replaced or shaken where the question concerns the orientation, nature, and basic pattern of the development of the national economy or the ratio of the development of major economic sectors; otherwise, our economy will not be a "combination of the planned economy with regulation by the market," but a "market economy" or a "combination of the market economy with regulation by plans." This is a basic distinction between the two.

3. The concrete forms, ways, and details of regulation by plans should change step by step in line with the change in the needs of regulation by the market. Within the framework of the general characteristic of the socialist planned economy, regulation by plans and regulation by the market are two forces determining the operations of the socialist commodity economy. The two forces must adapt to and coordinate with each other. On the one hand, regulation by the market must be guided and restricted by regulation by plans. On the other hand, regulation by plans should adapt to the demands of regulation by the market. Its concrete forms, ways, and details should accordingly undergo some reforms and adjustments so that it will assume a new posture to accommodate the introduction of regulation by the market and to coordinate with these regulations; otherwise, regulation by plans and regulation by the market will become "two separate things." It will be very hard to combine them into an organic whole with each linked internally to the other. In such a case, there are bound to be friction and contradictions causing scores of difficulties and troubles for the operations of the socialist commodity economy.

#### Article Discusses 'New' Planned Economy

OW2910131689 Beijing GUANGMING RIBAO  
in Chinese 7 Oct 89 p 3

[Article by Zhang Xiaoming (1728 2556 2494), Song Yaohua (1345 5069 5478), and Su Jiabin (5685 0163 2430): "Explore the New Planned Economy During the Course of Practice"]

[Text] Theoretically, the planned economic system was devised to counter the anarchic, spontaneous capitalist economic system. However, several decades have gone by and we still have yet to come up with a real planned economic system. First of all, our plans still reflect the strong "guidance based on the wills of senior officials," and they are far from being based on objective economic laws. Second, "wartime economic effects" are evident in the execution of these plans. Since the plans are drawn up subjectively by higher authorities, the actual grassroots circumstances have been completely or largely disregarded. And since the plans cover everything big

and small, they cannot be implemented without resorting to forceful measures. In short, the old system reflects mostly political preferences, not economic laws.

Our criticism of the old planned economic system is for the purpose of making the new planned economic system more readily understood. The new planned economic system has at least three special features: First, the plans drawn up will be predominantly strategic, and they will be supplemented by specific production plans. Second, the new planned economic system will be based on the law of value, reflecting objective economic laws as much as it can. Third, the new system will be more tolerant and capable of fully utilizing the market mechanisms. This being the case, the new planned economic system is actually a combination of the planned economy and market regulation.

Objective conditions are essential for the new planned economic system. First, it requires productive forces. A plan will inevitably be aimless if efficient planning measures and tools are unavailable. Second, a proper social system is required. A planned economic system simply cannot develop under a market economy dominated by full-fledged competitions. The new economic planning system is the best way through which developing socialist countries can catch up with modern economic development within a short time.

Government organs' strong macroscopic regulatory and control capacity is the real foundation on which the planned economic system functions. In accordance with the three aforementioned features of the new planned economic system, especially the one about the law of value, new plans which can fully utilize market mechanisms can regulate and control the economy both strictly and flexibly, the government can have noticeable initiative in providing macroscopic regulation and control, and enterprises will have greater independent decision-making power for handling their businesses. To attain this level, all government executive organs must be competent to implement policies and exercise regulation and control.

The new planning system cannot possibly grow spontaneously within the old system. First of all, the old planned economic system is strongly exclusive. Because it is highly incompatible with the market economy, its use of market mechanisms would be tantamount to having an "organ transplanted from a different body," and the rejection will certainly hasten its own demise. Second, rigidity and stagnation are inherent in the old system. Because of protracted wartime economic practices, government organs have consciously or unconsciously become accustomed to managing by means of administrative orders, and more often than not they are totally incapable of handling complex economic issues. Being used to managing in such a manner, their macroscopic economic regulatory and control capabilities have not been tempered and improved.

Reform marked by step-by-step or full-fledged openness cannot produce a new planned economic system. Ever since we embarked on reform, we tried to reduce the scope of planned regulation, expand the scope of market regulation, and establish a Chinese-style socialist planned commodity economic system on that basis. This plan has failed. In fact, such a plan cannot possibly be achieved directly. This is because merely reducing the scope of planned regulation but not improving the regulatory measures, and merely expanding the scope of market regulation but not intensifying the macroscopic regulation and control will only lead to market disorder as well as failure in carrying out the plan. Consequently the planned commodity economic system remains illusive. Under such circumstances, planning and market regulation will forever be pitted against each other.

However, this does not indicate that reform is a failure. On the contrary, reform, which can be explored much further, has demonstrated with irrefutable facts that some factors and characteristics of a new planned economic system suitable for China's national condition are quietly growing in the course of reform, and that they have provided us with a brand new train of thought for further deepening economic structural reform. Then, what are the growing points of the new planned economic system?

Strategic planning is the first growing point of the new planned economic system. So-called strategic planning is totally different from the former highly centralized administrative planning, first of all, in that the emphasis of strategic planning, instead of formulating elaborate comprehensive plans, is on planning investments on the infrastructure and public facilities. Herein lies the true substance of strategic planning. Second, strategic planning has nothing to do with the practice of applying compulsory administrative means to seek uniform measures for implementing plans. Under strategic planning, uniformity should be reached on the basis of optimization. Hence, various plans will be worked out for the selection of the best according to the principle of optimization, and this selection is an important guarantee for integrating optimization with uniformity. Third, strategic planning is based on centralized market analyses. In the course of developing a modern commodity economy, market information changes constantly. Hence, it is indeed very difficult for enterprises to accurately assess the market situation by themselves. Therefore, centralized market prediction and prompt release of market information can facilitate formulation of a more authoritative plan.

Democracy in planning is the second growing point of the new planned economic system. Under strategic planning, repeated and extensive consultations by representatives from extensive social strata, including the government, entrepreneurs, experts, and workers, will organically combine the process of formulating a plan with that of implementing it, and the integration of flexibility with consultations will change planning into a genuine means of indirect control, thereby reflecting

democracy in planning. The consultations are precipitated by representatives from not only the government departments and academic circles but also from enterprises and entrepreneurs. Because enterprises are the real implementers of plans, representatives of enterprises and entrepreneurs, with a clear understanding of the situation in economic development while participating in consultations of planning, will cooperate with each other and accommodate each other to a certain extent, so far as their own interests are concerned. In this way, the process of formulating a plan will in itself become a process of regulating the economy through planning, thereby organically combining the process of formulating a plan with that of its implementation. This combination, which precisely reflects the integrity of flexibility with consultations, enables strategic planning to become an indirect means of control, and at the same time, stimulates the democratic process of policymaking and political structural reform.

Strategic planning and its democratic nature have manifested themselves without being noticed in the decade-long reform and have become the embryo of the new planned economic system. Only when the government is able to exercise an independent and highly efficient regulation of the national economy will there be an indicator of maturity of the new economic system. This requires a process because maturity of the new planned economic system will depend on the formation and development of the series of above mentioned productive forces and a proper social system. growing points of the new planned economic system?

Strategic planning is the first growing point of the new planned economic system. So-called strategic planning is totally different from the former highly centralized administrative planning, first of all, in that the emphasis of strategic planning, instead of formulating elaborate comprehensive plans, is on planning investments on the infrastructure and public facilities. Herein lies the true substance of strategic planning. Second, strategic planning has nothing to do with the practice of applying compulsory administrative means to seek uniform measures for implementing plans. Under strategic planning, uniformity should be reached on the basis of optimization. Hence, various plans will be worked out for the selection of the best according to the principle of optimization, and this selection is an important guarantee for integrating optimization with uniformity. Third, strategic planning is based on centralized market analyses. In the course of developing a modern commodity economy, market information changes constantly. Hence, it is indeed very difficult for enterprises to accurately assess the market situation by themselves. Therefore, centralized market prediction and prompt release of market information can facilitate formulation of a more authoritative plan.

Democracy in planning is the second growing point of the new planned economic system. Under strategic planning, repeated and extensive consultations by representatives from extensive social strata, including the government, entrepreneurs, experts, and workers, will organically combine the process of formulating a plan with that of implementing it, and the integration of flexibility with consultations will change planning into a genuine means of indirect control, thereby reflecting democracy in planning. Not only representatives from the government departments and academic circles but also entrepreneurs and and representatives from enterprises participate in the consultations. Because enterprises are the real implementers of plans, representatives of enterprises and entrepreneurs, with a clear understanding of the situation in economic development while participating in consultations of planning, will cooperate with each other and accommodate each other to a certain extent, so far as their own interests are concerned. In this way, the process of formulating a plan will in itself become a process of regulating the economy through planning, thereby organically combining the process of formulating a plan with that of its implementation. This combination, which precisely reflects the integrity of flexibility with consultations, enables strategic planning to become an indirect means of control, and at the same time, stimulates the democratic process of policymaking and political structural reform.

Strategic planning and its democratic nature have manifested themselves without being noticed in the decade-long reform and become the embryo of the new planned economic system. Only when the government is able to exercise an independent and highly efficient regulation of the national economy will there be an indicator of maturity of the new economic system. This requires a process because maturity of the new planned economic system will depend on the formation and development of the series of above mentioned productive forces and a proper social system.

#### State Council Official Assesses Economy

OW3110155189 Beijing XINHUA Domestic Service  
in Chinese 1308 GMT 26 Oct 89

[“Local Broadcast News Service”]

[Text] Beijing, 26 Oct (XINHUA)—An official in charge of the Development Research Center of the State Council recently answered a XINHUA reporter's questions about China's economic situation. His observations may serve as reference for those who watch the economic situation.

Question: Would you please comment on the current economic situation?

Answer: The economic situation is heading in the anticipated direction. Our economic retrenchment has achieved preliminary results at this stage. The excessive industrial growth has dropped noticeably, investment in fixed assets has been curbed somewhat, price rises have

slowed, the withdrawal of currency from circulation is satisfactory, and the people are calming down after worrying about more price rises. All this shows that the principles set by the 3d Plenary Session of the 13th CPC Central Committee to improve the economic environment, rectify the economic order, and deepen the reform are correct.

**Question:** People are very concerned about the market situation, so let us begin with the market.

**Answer:** While market supply was strained for several years, there have been some changes this year. The hectic demand for high quality consumer goods has cooled and the brisk demand for daily necessities has normalized. Ordinary consumer goods for daily use which sold quickly in the past have become slow-selling. The total retail sales of social commodities during the January-September period amounted to 603.3 billion yuan. While it appears that there was growth of 12.3 percent over the same period of last year, it was a drop of 8.2 percent when the price rise factors are taken into consideration. If nothing special happens, it will be hard for sales to rise during the fourth quarter. There will actually be a negative growth in commodity sales this year. A situation like this happened before only in 1961, 1962, and 1968.

**Question:** The weak market has already had an unfavorable impact on production. The nation's industrial growth in September was 0.9 percent. Some people are calling for loosening credit. What is your comment?

**Answer:** The excessive growth in September of last year was one reason for the slow growth in September of this year. As a matter of fact, the actual output was not low. The average daily output in September was 5.6 percent higher than in August.

Since our economic retrenchment has achieved some preliminary success and our tightening efforts have yet to attain the anticipated target, we should not casually loosen the "double tightening" policy. Presently, the foundation on which the contradictions between supply and demand have been alleviated remains weak, and the consumers are still psychologically unstable. Under the general environment where the total supply and demand are still imbalanced and the structure is still frail, a little disturbance will upset the psychological balance. On the whole, shortages, not overproduction, are the nation's main problem. Thus, our main mission is to control inflation. Our main efforts should be directed to guarding against panic purchases. We learn from experience that our tightening efforts must be sufficiently strong. If we loosen up shortly after tightening, the rebound will cause even more serious inflation. We learned this lesson in 1985, 1986, and 1988.

Owing to protracted, overheated economic growth, we have grown accustomed to strained market supply, so the temporary slow-selling phenomenon is quite unexpected to us. In fact, a fair amount of market fluctuations are

normal for a commodity economy, and it is a natural response from our economic retrenchment. There is no need to panic.

**Question:** What countermeasures should we take?

**Answer:** We should make strenuous efforts to resist the pressure. Our only way to extricate ourselves from the predicament is to readjust the structure on the premise of controlling the total volume.

**Question:** What do you think about the price problem?

**Answer:** The current market situation has eased mainly because the rising trend of prices has been slowed. However, we should continue to control inflation so as to avoid creating an insecure feeling among the public. Prices for slow-selling goods should be reduced as deemed necessary. At the same time, it is necessary to ensure that price reductions for slow-selling goods will not trigger high consumption.

**Question:** What do you think of the suggestion to abolish value guaranteed savings?

**Answer:** Value guaranteed savings should not be abolished. Due to inflation, the current interest rate for value guaranteed savings has remained rather high. In view of the fragile foundation of the supply and demand situation, we should stabilize savings. The value guaranteed savings have been introduced for merely a year. We should not make changes too often, otherwise it will be difficult to win the confidence of the people. It is necessary to concentrate our efforts on controlling inflation. When inflation is brought under control, the interest rate of value guaranteed savings will drop automatically. As a matter of fact, with the rising trend of prices being slowed, the value guaranteed subsidy rate has dropped from 13.64 percent to 8.36 percent in the fourth quarter of this year. Value guaranteed savings will automatically disappear when the price index is lower than the interest rate for 3-year time deposits for 3 consecutive years.

#### Official Assesses Current Financial Situation

OW3110131989 Beijing BEIJING REVIEW in English  
No 44, 30 Oct-5 Nov 89 pp 17-20

[“Recent” interview with Li Guixian, state councillor and president of the People’s Bank of China, by staff reporter Han Guojian: “Retrenchment and Economic Growth”]

**[Text] Question:** How do you assess the current financial situation in China? Can the retrenchment policy bring about expected results?

**Answer:** This year the economy has developed smoothly, and the financial situation is better than anticipated. We see this, for example, in the fact that the amount of recalled over-issued money is higher than last year. In the first six months of this year, a net total of 5,294 billion yuan was recovered, while during the same period

last year, a net total of 8.861 billion yuan was over-issued. The scope of national loan has also been brought under control and loan structure restructured. For example, loans granted by all the nation's banks in the first half of this year increased by 21.2 billion yuan, a drop of 34 billion yuan from the same period last year. On the other hand, bank savings by both rural and urban residents have risen steadily. From January to June this year, the total increase was 64.4 billion yuan, up 22.4 billion yuan from the same period last year. Foreign exchange earnings are slightly higher than expenditures and this has resulted in a marginal increase of total foreign exchange reserves.

The retrenchment policy is correct because it's fulfilling expectations. It has played a positive role in eliminating economic overheating, holding down swelling investment and consumption and promoting market and financial stability. Moreover, it has not given rise to stagflation.

**Q:** What specific measures have been adopted for the retrenchment? Is their impact on the economy good or bad?

**A:** In the process of retrenchment, we have put in place a loan policy intended to "control the overall amount of loans to be issued, readjust the structure of loans to be issued and guarantee the construction of key projects." This policy can be readjusted, as needed, in a timely manner. Major measures for the implementation of the retrenchment policy are:

—Strengthening planned management. A system of "quota management and responsibility" in the granting of loans was introduced for specialized banks. At the same time, a society-wide credit programme was instituted to project all financial institutions' loan-granting activities, such as the issuance of stocks and bonds and fundraising activities and to bring the overall loan amount under strict control.

—Adjusting loan structure. Loans which would have gone to some projects have been pared down and the funds saved have been funneled into areas of more need, such as financing the production and purchase of farm and sideline products, the purchase of goods for export, and the production of large and medium-sized key enterprises. No more loans will be given to those enterprises whose production is out of tune with the state's industrial policies and whose products are of poor quality, high price and without market outlet; loans already granted to them have been and will be called back without hesitation.

—Ensuring a steady growth of urban and rural residents' bank savings by opening long-term inflation-proof deposit services, raising their interest rates, increasing categories of saving deposits and improving banking services.

—Cleaning up enterprises' arrears and, in accordance with the state's policies towards industry and credit,

increasing investment of funds to promote the development of enterprises' production.

—Strengthening the central banks' management of funds so as to grant timely short-term loans in strict accordance with prescribed quotas and range of use; and bolstering reserves requirement for use in savings withdrawals, specialized banks' reserve funds and government deposits.

—Strengthening management of foreign exchange and foreign debts; actively supporting export trade; and devising satisfactory arrangement for repayment of all foreign debts so that China's heretofore good reputation in the world financial markets will not be damaged.

—Launching a thorough clean-up and consolidation drive of companies established by financial institutions, localities and government departments; and increasing management over the inter-bank money market so as to ensure a positive financial order.

—While speeding up the formulation and modification of financial laws and regulations for insurance, securities, negotiable instruments, and foreign exchange management, strengthen regulatory oversight and implementation of the existing laws and regulations.

All these measures have produced positive results as well as some new problems as the opening of inflation-proof deposit services and the raising of interest rates have proved satisfactory in attracting residents' personal savings. However, these savings deposits, actually part of over-supplied money, can be converted into cash at any time. Once a bank run occurs, financial stability is affected. Generally, such deposit services have increased banks' costs. All of these problems are now under study.

**Q:** At present, many large and medium-sized enterprises are handicapped by fund shortages. Does this mean the retrenchment policy will soon be lifted?

**A:** The imposition of retrenchment is bound to influence enterprises' financing and reduce the supply of funds. This is inevitable and so enterprises have to adapt their production and management techniques to the new policy. They have to try and tap their internal potential, make their products more commensurate with the needs of society and be more competitive in the market. Retrenchment thus is a process of readjusting the industrial make-up and spurring enterprises to reshape their product mix.

As for the problem of fund shortage confronting enterprises, it is caused partly by reduced supply of money and partly by overstocking of products, reduced working funds and failure to use their increased income from higher priced finished products to offset the shortfall in funds caused by higher raw materials prices. So, to alleviate large and medium-sized enterprises' fund shortage, a package solution has to be instituted. Banks will continue to respond favourably towards large and

medium-sized energy, transport and raw materials enterprises in granting loans in accordance with the state's industrial policy. Simply put, this readjustment of the loan structure will be used to transform the industrial make-up.

**Q:** what measures will be taken to deal with the overstocking of products and the phenomenon of "external circulation" of funds outside of the bank system? Will the interest rates of bank savings and loans be further raised?

**A:** Some overstocking of products is caused by the unreasonable product mix, poor marketability and poor quality of products. Of course, overstocking also appeared for products with a good market. This is caused partly by the weakened desire for some products and partly by the forced rise of prohibitive prices, both a result of last year's buying spree. As for "the external circulation" of funds, quite a large amount of funds can be brought back into the bank system through the ongoing cleanup and consolidation of companies and the cleanup of arrears among enterprises and by strengthening the management of the financial market. In addition, banks will formulate new regulations, improve banking rules and services to reduce the drainage of credit funds.

As to whether the interest rates of savings deposits and loans will be raised or not, that will be determined by the overall needs of the economy. As things now stand, merely relying on higher interest rates for saving deposits and loans won't solve the current problems.

**Q:** Do increased production costs and the consequent reduction of profits of some industrial products have something to do with the increased loan interest rate?

**A:** To put a hold on inflation as soon as possible, the People's Bank of China adjusted upwards the interest rates for savings deposits and loans, respectively in September last year and February this year. Overall, a higher interest rate for loans has pushed up, to a degree, enterprises' costs of production. Initial calculations indicate that before loan interest rates were raised, interest payments represented some 2.85 percent of the production costs; after the interest rates were raised, this rose to 3.57 percent. The increase is high in itself, but it is still quite low when compared with the general rise in prices. In our view, though, the major contributing factors to increased production costs and reduced profit rates are the drastic increase in prices for raw and semifinished materials, the irrational product mix, sluggish sales caused by a fluctuating market, increased backlog and slow circulation of funds. At the same time, consumption funds are growing faster than production.

**Q:** What is the next step for financial reform, say, the stock system, the financial market and the transformation of banks into enterprises?

**A:** Financial reform has been going on for ten years. Although the orientation is correct, many problems have

surfaced in the process. Last year's inflation, in particular, accentuated the difficulties still to be overcome. The major problem was that the operation of financial institutions grew too fast and their numbers became too large. Business competition among banks, compounded by delayed management modernization, has caused some confusion. To deal with this, the central banks' macrocontrol measures need to be improved. The specialized state banks are also still bothered with some problems which call for immediate solution.

The goal of financial reform during the next phase is, while invigorating the financial system, to establish a complete regulatory system, with stress on strengthening the central banks' macro-regulating functions and giving further play to the leverage of credit and interest rates.

As for the stock system, it will continue to be experimented in a few pilot areas in accordance with the State Council's decisions. In co-ordination with this, the banks will study and formulate the relevant management measures.

The development of financial markets has played a positive role in stimulating the circulation of funds. The current problem is loose management. During the period of rectification and consolidation, financial markets should be developed more steadily; and the relations between the banks' distribution of funds and the raising of funds through the markets dealt with in a proper fashion. Financial markets now effectively coordinate the adjustment of funds among enterprises.

Our country adheres to the principle of combining a planned economy with market regulation. Specialized banks as state banks must implement the state's principles, policies, laws and regulations. They should not operate only for the sake of profits. Therefore, in the next step of financial reform, specialized banks should establish and improve the credit responsibility system, strengthen risk management of assets and improve the various forms of economic responsibility system.

**Q:** Next year is the peak year for debt repayment. Will repayment of such a large amount of debt adversely affect the development of the national economy?

**A:** Calculations indicate that the peak year for foreign debt repayment will be around 1992. Even in the peak year, however, foreign debt repayment is still manageable, so there will be no adverse impact on the development of the national economy. This is because, first, the structure of our country's foreign debts is essentially rational. Of all medium- and long-term foreign debts, those funds used for energy, communications, heavy industry, chemical industry and other basic industries comprise a large proportion. This will prove extremely beneficial in promoting development of the national economy. Second, judging from the various measurement indicators of a country's debt repayment capacity, China is well within a margin of safety. Even around 1992, the peak year for debt repayment, the repayment rate for our country's total foreign debts will be lower than internationally accepted limits. Third, China boasts

strict and comprehensive rules for foreign debt management. Except for direct foreign investment, all borrowing by different localities, departments and enterprises are incorporated into the state plan as a guarantee to control the state's overall foreign debts. Fourth, the central government has made arrangements for debt repayment and is fully prepared for 1992.

Q: Compared with last year what about this year's borrowing and its impact on the economy?

A: By the end of June this year, our country's borrowings from foreign banks and financial institutions increased 34 percent over the same period last year. Allowing for capital and interest repayment, this year's borrowings basically come up even with those at the end of last year. Since the anti-government turmoil and rebellion in Beijing, some foreign banks and financial institutions, influenced by rumours created by news media in the West, have postponed or suspended the granting of new loans to China. This has affected, to varying degrees, the smooth management of China's foreign investment. However, our country can afford to repay all foreign debts. For example, Tianjin, Delian, Changchun and some other cities have paid back on schedule all capital and interest due since July.

In my opinion, some financial institutions in the West should be more far-sighted. I believe, however, as time goes by, more and more foreign financial institutions will continue to cooperate with China on the basis of equality and mutual benefit.

### 'Major Step' Taken Toward Re-Collectivization

HK3110011989 Hong Kong SOUTH CHINA MORNING POST in English 31 Oct 89 p 13

[By Willy Wo-lap Lam]

[Text] The Chinese Government took a major step towards the re-collectivisation of agriculture yesterday, when the State Council called on local areas to launch farmland capital construction projects by amassing materials and labour forces.

In a directive yesterday, the central government asked local administration and farmers to improve irrigation and other engineering projects by fully mobilising the masses, concentrating human and material forces and developing the spirit of self-reliance, hard struggle and plain living.

Beijing wants farming units to strengthen leadership, collect more funds for irrigation projects and supply materials for engineering projects.

For example, money will be collected to set up rural irrigation construction funds.

Analysts say the call for households to pool their resources together for major projects is the prelude to re-collectivisation.

One of the main points of the rural reform policies begun by senior leader Deng Xiaoping and former general-secretary Zhao Ziyang in the early 1980s was splitting up communal land into private plots.

Under the rural responsibility system, different households are allowed to produce whatever they like. They are also free to branch out into industry or agriculture.

Since the ousting of Mr Zhao as party chief in late June, however, conservative agronomists have decried the shortcomings of the rural responsibility system.

One criticism has been that different households tended to neglect common projects such as irrigation and improvement of the quality of land.

In a commentary yesterday, the PEOPLE'S DAILY called farmers' attention to the fact that irrigation was the lifeblood of agriculture, and that attention had to be paid to repairing, recovering, renovating and improving irrigation projects and facilities.

Another complaint of central planners was that rural households had neglected grain production and gone into more lucrative business activities.

Yesterday the party organ reiterated that it was necessary to make people fully understand the importance of agriculture, "the foundation of the national economy".

The PEOPLE'S DAILY also noted that agrarian capital construction had to be aimed at expanding the area under irrigation and creating more farmland which would ensure stable yields despite drought or excessive rain.

Benefits will be given to those who contract to open up barren mountains, valleys and beaches.

In recent statements, senior Agriculture Ministry officials have assured farmers that the popular rural responsibility system would not be cancelled.

A recent PEOPLE'S DAILY commentary noted last week that in the majority of rural areas, they still had to uphold and perfect the responsibility system based on the family responsibility system.

However, in different localities, zealous cadres have started to re-collectivise household plots. And both FARMERS DAILY and the official CHINA NEWS SERVICE have reported stories of households refusing to give up private plots to join in communal efforts.

The Chinese media have also reported cases of regional officials forcibly requiring households to contribute sums towards irrigation and other projects.

### New 5-Year Plan to Cut Coastal Privileges

HK011030289 Hong Kong SOUTH CHINA MORNING POST in English 1 Nov 89 p 11

[By Willy Wo-lap Lam]

[Text] Beijing is drafting a new five-year plan which will abrogate preferential treatment for coastal provinces.

The eighth Five-Year Plan, which stretches from 1991 to 1995, will also boost the Central Government's revenues by abolishing the financial contractual system for many cities and state enterprises.

Economists in Beijing say that while the plan will not be finalised till the end of 1990, the State Planning Commission (SPC) has already drafted a document entitled 'Basic Thoughts for the Development Plan of the National Economy from 1991 to 1995.'

Since the SPC, led by Senior Vice-Premier Yao Yilin, is responsible for putting together the Five-Year Plan, 'Basic Thoughts' has been regarded as a first draft of the plan.

A most salient feature of the draft is that preferential treatment given to the southeastern coastal provinces—including tax exemptions and a lower level of contribution to central coffers—will be abolished.

Beijing will substitute its "Regional Sliding Policy"—which says coastal areas will have priority access to public resources over central and western China—with an "Industrial Sliding Policy".

The Industrial Sliding Policy stipulates that certain industries will be favoured in the allocation of the nation's resources. These sectors include energy, transport, agriculture, and heavy industry.

The central Government will spend more on agriculture, mainly infrastructural projects such as irrigation. Beijing has already decided that the US\$300 million (HK\$2.34 billion) which it secured from the World Bank early this year will be earmarked for agriculture.

During the period of the eighth Five-Year Plan, investment in communications and transport will be at least 10 percent more than that in the previous plan.

The eighth Five-Year Plan will also specify which particular product lines will enjoy priority allocation of raw materials and funds.

For example, within the sector of electronics and machinery, cars, large-scale integrated circuits and microelectronics will be favoured.

The most controversial proposal contained in 'Basic Thoughts' is the cancellation of the financial contractual system Beijing has used since the mid-1980s.

Under the system, cities and major state enterprises get to keep their incomes after surrendering their quota of tax and earnings to Beijing.

Central planners, however, have argued that the financial contract system has undermined state revenue.

They want to return to the old system of cities and state enterprises basically surrendering all income to central coffers.

Other SPC proposals include a rigid program to limit China's internal as well as foreign debt. Chinese economists have warned that China will enter "the high tide of repayment" of overseas debt starting in 1992.

Western analysts say that the eighth Five-Year Plan represents a stunning setback for reform policies introduced by ousted party leader Zhao Ziyang.

A keen promoter of the interests of the east and south coast, Mr Zhao and his liberal economists argued that the fast-track development of such provinces as Guangdong and Fujian would lead to general prosperity.

Mr Zhao was also a key formulator of various types of responsibility systems, including the financial contract system.

Analysts say that the SPC, which is dominated by central planning-oriented cadres, is meeting resistance in its efforts to translate its plans into policies.

Opposition to the 'Basic Thoughts' document comes mainly from the coast.

#### Commercial Bank Loans Aid Economic Construction

HK3110030489 Beijing CHINA DAILY in English  
31 Oct 89 p 2

[By staff reporter Huang Xiang]

[Text] China Industrial and Commercial Bank (CICB) is fully set for business for the last quarter of the year, a usually busy season for major banks of China, a senior bank official said recently.

Huang Yujun, vice-president of CICB said that the emphasis of the money supply of CICB should be laid on the readjustment work in order to back up industrial production, commodity circulation and technological innovation. Huang made these comments during the just-concluded CICB conference in preparation for the coming busy season.

CICB is China's largest savings bank which provides loans to 75 per cent of the country's enterprises.

Among the major measures for the timely readjustment policy, Huang called for a comprehensive planning of bank loans with emphasis to be given to those for the purchase of agricultural and sideline produce, loans for large and medium-sized enterprises to obtain raw materials, giving aid for the production and marketing of daily necessities, the expansion of exports, and technological innovation for motor vehicles, ships, and aircraft, part of China's automotive industry which are included in the State Council's general planning.

Huang also promised further supply of working capital if borrowers are qualified enough.

It was decided at the conference that enterprises can hardly expect to get loans for the over-stocking of shoddy and unmarketable products. But Huang said CICB will help those manufacturers who are suffering from overstocking of products because of strain on transportation and problems in settling accounts, a common situation nowadays where many enterprises have to keep borrowing simply because they cannot recoup that which they have lent to others.

As another major measure to be taken, Huang demanded that CICB and its branches play their regulatory roles in judging where and how much are the loans in need. Banks at all levels will try to avoid overstocking or squandering of bank loans.

To fulfill these tasks, Huang called for further expansion of sources of money, a move which he said stands a good chance of success because of more money will be in circulation from enterprises during the busy season.

According to CICB sources, the bank has accomplished much under the general retrenchment policy. It has worked out specific measures such as the tightening of the overall control of loan-granting, restructuring of loan programmes, and cutting down unimportant projects.

CICB statistics reveal an increase of 38.1 billion yuan (\$10 billion) in bank deposits, and 27.5 billion yuan (\$7.4 billion) in loans in the first nine months of the year, a net savings of 10.6 billion yuan (\$2.6 billion) which experts believe represents a stronger payment capability.

#### Western Bankers Call Debt 'Manageable'

HK0111024189 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 1 Nov 89 p 4

[By Geoffrey Crothall]

[Text] China's foreign debt, amounting to U.S.\$44 billion and soon to enter its first peak repayment period, is serious but not yet critical, Western banking sources said yesterday.

China's ability to pay off its rising debt has certainly been reduced over the past year, but its debt-service ratio of 15 percent is still manageable.

The country's credit rating has declined markedly since June, but banks are continuing to grant short-term loans for project finance.

However, there will be no new long-term bank loans until the World Bank agrees to resume lending.

Even then, the sources said there would not be an influx of new loans, partly because the government did want to see a large rise in borrowing, only enough to refinance its maturity schedule.

"The Chinese leaders are very sensitive on the debt issue. They all remember the debt crisis that brought down the Nationalist government in 1949," one banker said.

China's debt problem, however, was too complex to be solved by wholesale restructuring, the bankers said.

The problem would have to be analysed in terms of the private and public sectors, central and local levels, and industrial sectors.

It would be important to look at the extent of individual bankruptcy and an enterprise's ability to generate foreign exchange, they said.

Foreign ventures in China owed money by their Chinese partners cannot under the current circumstances rely on the government to bail them out, nor is there adequate recourse to law to ensure that debts will be repaid.

Recourse to the guarantor was not always a viable option given the small number of guarantors and the large volume of debt, the bankers said.

They said the best option for foreign ventures was to enter into "friendly discussions" with their Chinese partners and litigation should only be used as a last resort.

Creditors should act through an agent or form a steering group to discuss rescheduling with the Chinese partners and the local authorities, they said.

Local government support, in the form of deferred taxes and other expenses, was essential if the venture was to continue.

Only with such support could a refinancing plan be approved by the central government and banks, the bankers added.

#### Government To Give Guidance to Foreign Investors

OW3010130489 Beijing XINHUA in English 1039 GMT 30 Oct 89

[Text] Beijing, October 30 (XINHUA)—A senior Chinese economist said here today that the government will decide on the size of foreign capital inflow according to its capacity during the current period of economic transition.

Ji Chongwei, executive director of the State Council's Research Center for Economic, Technological and Social development, said that projects involving foreign investment will be selected in line with the country's own priorities, so as to give clear-cut guidance in terms of direction and focus to foreign investors.

Ji made these remarks while explaining China's economic situation and policies to participants at a symposium on economic and trade co-operation between China and the Asian-Pacific region, which opened here Saturday.

He noted that although China's overheated economy has been cooling down due to a tighter financial policy in the first three-quarters of this year, it still maintains a continued growth in a healthy direction.

However, he warned, China still faces many tough financial and economic challenges, since economic problems which have accumulated over the years are far from being solved and the country will soon feel the pinch beginning 1990, when the peak of domestic and foreign debt repayment begins to emerge.

As a result, Ji added, China will adopt an austere monetary and financial policy over the next three years to curb inflation and bring under control the size of total investment.

Although an important means for making up for the domestic capital shortage, foreign capital input also requires a considerable proportion of Chinese investment for supporting facilities, Ji noted.

According to Ji, most Sino-foreign joint ventures set up in the past few years called for eight to 14 yuan (about 2.75 to five U.S. dollars) from the Chinese side to match every U.S. dollar foreign partners invested.

Although existing Chinese enterprises can use their land, buildings, equipment and other fixed assets as input, over 60 percent of their cash input has to come from government appropriations and bank loans, Ji explained.

To get the best returns from its domestic cash resources, Ji said that China will encourage foreign investors to concentrate on expanding and transforming China's existing enterprises, and building more firms solely for foreign-owned businesses. [sentence as received]

Some state-owned and collective enterprises may sell their shares to foreign holders and transfer or lease their management rights to foreign investors, he noted.

He also pledged that some tracts of land in specific open areas like Pudong in Shanghai may be leased on a long-term basis to foreign businesses for investment, development and management.

According to the leading economist, China's limited capital will mainly be used in the next decade to strengthen such sectors as agriculture, energy, transportation, communications, urban infrastructure and the basic raw materials industries and to ensure the development of its science, technology and education.

Although the government will strictly control the scale of investment in the processing industries and non-production projects, Ji pointed out, encouragement will continue to be given to higher-value processing industries, whose products are in short supply or can substitute for imports and generate export earnings.

Ji also pledged further commitment to co-operate with the Asian and Pacific region, saying that China is willing

to enter into joint ventures in the region under appropriate conditions when it has the ability to do so.

### **Insurance Company To Expand Overseas Business**

*OW3010182489 Beijing XINHUA in English  
1625 GMT 30 Oct 89*

[Text] Beijing, October 30 (XINHUA)—The People's Insurance Company of China will increase investment in its overseas branches to boost their business in Hong Kong, Macao and other areas, a senior official said here today.

Speaking at a meeting of general managers of overseas branches, Qin Daofu, general manager of the company, instructed the branches in Hong Kong, Macao, Singapore, London and other places to expand business and diversify services.

He said that in addition to opening new offices in Hong Kong and Macao, they can establish new insurance institutions in other parts of Asia and in Toronto, Canada.

The company already has 60 overseas branches and offices and it has joined some international insurance organizations.

Qin also asked the heads of overseas branches to improve investment work while expanding their insurance business.

He said: "Stressing the principles of safety, effectiveness, positiveness and reliability, overseas branches should establish investment departments, train personnel, simplify investment procedures and carry out investment work in a down-to-earth way."

### **Li Guixian Urges Developing Insurance Business**

*OW2710141489 Beijing Domestic Service in Mandarin  
1030 GMT 20 Oct 89*

[From the "National Hookup" program]

[Text] Addressing the 20 October meeting to mark the 40th founding anniversary of the People's Insurance Company of China, State Councillor Li Guixian said: As there is such a vast expanse of territory in our country, natural disasters are comparatively more frequent. It is necessary for the insurance sector to make persistent efforts to improve compensation capabilities and give further play to the role of the insurance sector in economic compensation.

### **Fighting Economic Crimes Nets 855 Billion Yuan**

*OW0111015489 Beijing XINHUA Domestic Service in Chinese 1709 GMT 16 Oct 89*

[Local Broadcast News Service]

[Text] Beijing, 16 Oct (XINHUA)—More than 13,600 criminals have surrendered themselves to procuratorial

organs, turning in over 855 billion yuan worth of spoils and illicit money, in the 2 months or so since the Supreme People's Court and the Supreme People's Procuratorate announced a circular calling for such surrender.

The information was disclosed in Beijing at a news conference jointly held today by the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security, and the Ministry of Justice in connection with the nationwide efforts to implement the circular.

According to Zhang Siqing, deputy procurator general of the Supreme People's Procuratorate, 3,303 of the economic criminals were engaged in offenses involving more than 10,000 yuan, and 317 of the offenders were cadres at county magistrate level or above.

It was revealed that there were five provinces where more than 1,000 people had surrendered themselves to procuratorial organs. These are Guangdong, Hunan, Sichuan, Shandong, and Hubei provinces.

Zhang also gave a briefing on specific cases procuratorial organs either dealt with severely or leniently.

A certain Liu Li in Hubei Province turned himself in to procuratorial authorities after the announcement of the circular. He handed in over 47,000 yuan worth of bribes and more than 7,000 yuan in profits gained illegally from speculation in refrigerators. He also gave information on the economic activities of other people. The Supreme People's Procuratorate, after reviewing the matter, decided not to prosecute him.

A He Jiapeng in Guangdong Province bribed a local official with more than 90,000 yuan on four different occasions at the suggestion of the latter during negotiations related to a contracted project. After promulgation of the circular, He surrendered himself to authorities and retrieved the bribes from the official to turn in to the authorities. After deliberating the case, the Supreme People's Procuratorate agreed not to prosecute He, but decided to deal separately with the official who took the bribes.

Liu Yushan, deputy director of the Anhui Provincial Machine Building Department and deputy secretary of the department's party organ, embezzled more than 67,000 yuan of public funds and took bribes worth several thousand yuan. Although his activities were known to the supervisory and procuratorial organs, Liu did not repent. He even attempted to whitewash his criminal activity in the name of "surrendering." He admitted to the procuratorial organs that he had embezzled 32,000 yuan, and denied all other offenses. Procuratorial organs subsequently arrested him in accordance with the law.

### Court Promises Fairness in Patent Disputes

OW2910080189 Beijing XINHUA in English  
0727 GMT 29 Oct 89

[Text] Beijing, October 29 (XINHUA)—Ren Jianxin, president of China's Supreme People's Court, said here today that all foreign and Chinese litigants will be treated equally without discrimination in patent disputes.

At a national meeting on patent work which opened today, Ren Jianxin said that since China enacted the patent law in 1985, the patent system has improved a lot and it has been regarded as one of the most important measures to safeguard patent rights.

In order to guarantee the lawful rights and interests of foreign and Chinese patentees, the president of the Supreme People's Court reiterated that the people's courts will pass fair judgement on the cases of patent dispute they handle regardless of what country the litigants are from.

The Patent Office of China has accepted more than 116,000 patent applications since April 1985, of which more than 23,000 were from 62 countries and regions.

Ren said: "The people's courts have successfully handled many patent dispute cases and safeguarded the lawful rights and interests of patent applicants and patentees."

In recent years, the Supreme People's Court has given judges from local people's courts training in patent lawsuits and assigned some judges especially handling patent dispute cases. [sentence as received]

### Labor Minister Cites Reform Difficulties

HK3110021689 Beijing CHINA DAILY in English  
31 Oct 89 p 1

[By staff reporter Li Hong]

[Text] Income disparity and unemployment are two problems China's labour departments must deal with, says Labour Minister Ruan Chongwu.

"Despite the marked progress achieved in the reform of the labour system over the past years, greater efforts will have to be made next year to iron out pay disparities, check growing unemployment, thwart the urban influx and solve a number of other labour problems," Ruan told a gathering of all provincial labour bureau directors in Beijing recently.

The minister listed "seven big issues" deserving special attention in 1990, which he called "a crucial year in reaching the target set for China's scheduled three-year rectification drive."

First, enterprise pay scales will be further adjusted.

The overall management of salaries will be strengthened and linked to profits. Only when an enterprises profits can employee salaries and fringe benefits increase.

Further, more guidance on distribution of pay within enterprises is needed to curb widening disparities in wages. "This is a very serious problem," Ruan said.

Measures are needed to stabilize the country's current employment problems.

Since most State-owned enterprises are fully staffed, collective-run and private enterprises will be encouraged to hire more workers.

Experts predicted that unemployment could reach 4 percent by the end of this year.

Ruan, discussing the importance of skill development, said the training programmes will be expanded to include more employees.

"Thus, the employment of inadequately trained young people will be curbed," Ruan said.

China now has an estimated 20 million excess employees in its State-owned enterprises in urban areas and nearly 80 million idle farmers in the country.

Recruitment of new workers by State-owned enterprises must be conducted according to State plan, he said. Those employees hired not in keeping with the State's plan will have to be discharged and recruiting rural farmers must be strictly controlled.

According to Ruan, the number of employees in State-owned enterprises exceeding the State plan decreased by 754,000 since last year. And several million rural farmers have returned to their home towns, vacating jobs for the urban unemployed.

Relationships between employers and employees should be improved.

According to the minister, the remaining three tasks are to establish pension funds, intensifying supervision of working conditions, employees' security and health, and increase labour legislation.

"A series of policies are in the pipeline," Ruan said.

In recent years, workers' social insurance and welfare have improved. To date, State-owned enterprises in 91.5 per cent of China's cities and urban counties have established workers' pension funds, and reports of employee injuries have decreased.

### State Workers Salaries To Decrease

HK3110012189 Hong Kong SOUTH CHINA MORNING POST in English 31 Oct 89 p 12

[By Daniel Kwan]

[Text] Beijing is cutting the pay of most state workers as part of its three-year program to cool down and restructure the economy. However, workers will be given more say in management.

Employees of government-run factories will have at least 10 percent of their pay automatically deducted each month for the purchase of government bonds.

According to labour sources in Guangdong province, although workers are told that the "subscription" would last for 12 months, most do not expect to have their money back.

There are also new restrictions on bonus payments. For example, state-owned factories in Guangdong have been told that workers' bonuses should not exceed 30 percent of the workers' monthly salaries.

According to the source, rules stipulated that if a factory wanted to pay its workers a larger bonus, it would have to pay the central Government three yuan (HK\$6.30) for every yuan (HK\$2.10) it paid its employees.

The source said: "It's just another way to say that 'we are cutting your wages'."

Leaders in Beijing have told the people that they should prepare themselves for a few years of plain living and hardship while the state is rectifying the country's economic order.

At the same time, Beijing is promoting the political status of workers by giving them more authority in determining production strategy and other matters in the work place.

Mr Yuan Baohua, a member of the Chinese Communist Party's Central Advisory Commission, said yesterday: "Democratic management in state-owned enterprises will be expanded to stimulate workers' productivity.

"Workers' creativity can only be fully tapped when they actually use their democratic rights as masters of enterprises," said Mr Yuan, who is also the president of the China Enterprises Management Association.

Since the June 4 Tiananmen Square crackdown, workers' productivity has dropped and factory directors are having problems motivating employees.

Many state-owned enterprises are facing financial problems due to rising production costs and poor market response and they are looking to the government for subsidies.

But under the current financial difficulties, there is little the Government can do to help the enterprises.

According to Mr Yuan, state-owned enterprises could exercise democratic management at three levels namely, in workshop teams, factory management committees and workers' congresses.

Most state-owned enterprises in China have established workers' congresses.

But since the adoption of the "director responsibility system" advocated by ousted party chief Zhao Ziyang in

state-owned enterprises, the influence of the workers' congresses have been reduced.

In addition to exercising supervision over enterprise leaders, the workers may offer advice to management, vote on their leaders' decisions and even recall the directors or managers they have elected through their own organizations, Mr Yuan said.

Mr Yuan's statement showed the leadership was aware of dissatisfaction among workers.

A source said: "Mr Yuan's promises may sound beautiful but like many other promises, it is hard to imagine how they can be implemented."

#### Poor Industrial Performance in Jan-Sep Period

OW3011072489 Beijing XINHUA Domestic Service  
in Chinese 1318 GMT 31 Oct 89

[By reporter Wu Shishen; "Local Broadcast News Service"]

[Text] Beijing, 31 Oct (XINHUA)—Eight major economic indexes of the national economy made public here today indicate that the growing social demand was initially brought under control in the first three quarters of the year and that the contradiction between social supply and demand was mitigated to some extent. However, economic results in industry did not take a turn for the better and have even dropped to some extent.

The investment and credit indexes show that the parameters of overheated social demand tended to "drop in temperature." From January to September, investment in state-owned units' fixed assets totalled 112.3 billion yuan, a decrease of 9.2 percent compared with the same period of last year. This is a favorable phenomenon seldom seen in recent years. Investment in fixed assets in 23 provinces, autonomous regions, and municipalities directly under the central government decreased in varying degrees as compared with the same period of last year. Such investments in Hubei, Guangxi, Jiangsu, Qinghai, Anhui, and Shandong dropped by more than 20 percent. By the end of September, bank funds for loans across the country totaled 1,115.25 billion yuan [figure as received], an increase of 60.1 billion yuan over early this year. However, the increase was 39 billion yuan less than the same period of last year.

From January to September, wages for workers and staff members throughout the country, an important parameter of consumption funds, totaled 178.41 billion yuan, an increase of 18.2 percent over the same period of last year; however, there was a slowing down of the growth rate. Indications show that although the growth rate of nominal wages for workers and staff members continued to drop, their other earnings from money or materials wantonly issued by some enterprises did not decrease. Therefore, keeping consumption funds from growing too rapidly is still an important task in improving the economic environment and rectifying the economic order.

Economic results in industry, which affect state revenues, did not fundamentally change for the better in the first quarters of the year. Labor productivity increased slowly. In the January-September period, labor productivity in state-owned industries practicing independent accounting rose 2.7 percent. The growth rate of labor productivity in nearly half of the localities was lower than the country's average. Comparable production costs in industry continued to go up, but the rates of sales profits and taxes continued to drop. The profit and tax rates of industrial funds decreased more than before, and the profit and tax from every 100 yuan of industrial funds dropped to 20.1 yuan from 23.4 yuan in the same period of last year. From January to September, energy consumption for every 10,000 yuan of output value in state-owned industries dropped by 2.6 percent as compared with the same period of last year. This shows that new progress was made in energy conservation.

The eight major economic indexes of the national economy were made public by the State Statistics Bureau, the State Planning Commission, the Ministry of Finance, and the People's Bank of China.

#### Prospects, Problems of Coal Industry

##### Minister Comments

OW3010213189 Beijing XINHUA Domestic Service  
in Chinese 1308 GMT 25 Oct 89

[By reporter Zhao Mingliang; "Local Broadcast News Service"]

[Text] Beijing, 25 Oct (XINHUA)—Energy Resources Minister Huang Yicheng expressed his firm conviction the other day that China's coal and electricity production this year will overfulfill the state plan and will accomplish the planned quota of the Seventh 5-Year Plan 1 year ahead of schedule.

The goal for coal production in the last period of the Seventh 5-Year Plan is 1 billion metric tons, and for electricity 550 billion kw/h.

It was learned that as of mid-October, national production of coal already had reached 0.79 billion metric tons and that of electricity 478.5 billion kw/h, representing increases of 8.3 percent and 6.4 percent, respectively, over the same period last year.

Huang Yicheng said that the total increase in coal production nationwide this year is expected to exceed 60 million metric tons, the largest increase in recent years. Annual coal production certainly will reach 1 billion metric tons. Working conditions with regard to the production of coal are safer than in previous years.

The production of electricity this year is a little bit behind last year's. However, the current growth rate is still almost 1 percent over the state plan's target. It is highly possible that the total electricity production will be over 570 billion kw/h at the end of this year.

**Journal Reviews Development**

*OW0111044589 Beijing XINHUA in English  
0244 GMT 1 Nov 89*

[Text] Beijing, November 1 (XINHUA)—China's coal industry has developed at the highest speed in the world in the past decades, and yet it still faces some serious problems which call for national attention, according to the latest issue of "NEW CHINA QUARTERLY."

An article in the quarterly, signed by Liu Fei, says that since the founding of the People's Republic in 1949, China's coal industry has been developing steadily with an annual growth rate of 9.3 percent. In 1988, the country turned out 980 million tons of coal, next only to the United States in the world.

The soaring rise has enabled China to export more and more coal. Last year the exports were about 14.2 million tons.

Officials of the Ministry of Energy resources attribute much of the rapid growth to the reforms in the coal industry in recent years.

Due to the reforms, coal mines run by peasants have mushroomed, reaching 78,900 across the country. In 1988, these mines produced 332.5 million tons, or one-third of the country's total.

The government also reformed the managerial and administrative system of the state-owned mines which has given an impetus to mines, as a result the working efficiency has been improved quickly in most of the state-owned mines.

Mechanization of coal industry has also been promoted; by the end of 1988, 32 mines had been modernized, and the mechanization level in tunnelling and haulage went up from 34.5 percent to 55.5 percent in the 1978-1988 period.

On Sino-foreign cooperation, the article says that the coal industry has made use of 1.6 billion U.S. dollars of foreign funds in construction and expansion of 13 mines with a combined capacity of 55 million tons.

Yet China's coal industry still faces various kinds of problems, such as the inadequate coal transport facilities and funds for building new pits as well as waste in coal consumption, which have seriously hampered its development.

According to the Ministry of Energy Resources, China is now taking various measures to solve those problems.

**Production Declines**

*HK3010081489 Beijing RENMIN RIBAO in Chinese  
22 Oct 89 p 2*

[Report by Liu Xieyang (0491 3610 7122): "National Meeting of Directors of Coal Bureaus and Departments Puts Forward Measures To Stop Decline in Production of Township and Town Coal Mines"]

[Text] Beijing, 27 October [RENMIN RIBAO]—"It is necessary to strengthen trade management over township and town coal mines, conscientiously strengthen leadership, and stabilize the position of local mines to prevent production from sliding down." This was said at the national meeting of directors of coal bureaus and departments convened by the Ministry of Energy Resources yesterday.

Over the past few years, there has been great development in the state's township and town coal mines, and this has played a great role in supporting agricultural production. However, many problems have also arisen. Chief among them are the lack of strict management, mutual contention for resources, and unplanned extraction and digging. This has resulted in the destruction of many resources, low percentage of recovery, and constant occurrences of incidents.

An important reason for the above-mentioned problems is failure to implement management work. The Ministry of Energy Resources calls on the management departments of coal mine industries:—To define the main functions and tasks of trade management. For the purpose of carrying out the spirit of the State Council's instruction on trade management requiring unified planning, organized coordination providing services, and carrying out supervision, the Ministry of Energy Resources has entrusted the China Local Coal Mines Joint Operation and Development Corporation to exercise the function of managing local coal mines throughout the country.—To improve trade management institutions. A coal management center should be set up in townships and towns with an annual output of over 10,000 tons. It will act as an agency of the county coal bureau and is also a grass-roots unit of trade management.—To define the necessary power of trade management. First, the power to fix the sites and define the boundaries of coal mines and to examine and approve planned extraction; second, the power to revoke extraction licences or, to close, and to suspend the production of coal mines which are extracted in violation of the law; third, the power to examine and decide the qualifications required for the posts of various mine leaders; fourth, the power to distribute materials within the plan; and fifth, the power to plan the transportation of coal to other places.—To seriously carry out checking and rectification. Extraction without licence, sale of resources or sale of resources in disguised form, private contracts which show no regard for people's life or death, illegal operations or resales at a profit, and irrational setting of quotas are strictly prohibited.

**State To Double Annual Titanium Output**

*OW3110165989 Beijing XINHUA in English  
1505 GMT 31 Oct 89*

[Text] Guiyang, October 31 (XINHUA)—China expects to double its annual output of titanium by extending its biggest titanium company in southwest China

The extension project of the Zunyi Titanium Company, the biggest company of its kind in China, is expected to be completed by the end of this year.

According to the company's chief engineer, Pan Zhushun, it will double China's output of sponge titanium and make China the fourth biggest producer of the metal in the world.

Pan said China is one of only five titanium producers in the world. He declined to give the exact size of China's reserves, but said they represent a quarter of the world's total deposits. Most of them are dispersed over the southwest of the country, where there are rich resources of energy and water.

Pan says China plans to spend 165 million yuan (about 44.6 million U.S. dollars) on another extension project for the company during the Eighth Five-Year Plan (1991-1995). The aim is to increase production capacity by 150 percent over that of 1989.

### Chen Junsheng Discusses Agriculture Reforms

OW2910040589 Beijing Domestic Service in Mandarin  
1030 GMT 9 Oct 89

[“Let Us Work in Full Cooperation and With Unity of Purpose To Support Agriculture”—seventh report from the series “The Yellow Soil to Which People Attach Deep Feeling”; from the “National Hookup” program]

[Excerpts] Some listeners may ask: How many more major principles and great truths can be discussed, now that support for agriculture has been stressed for so many years? This is not really a relevant question. As listeners are well aware, China is a big country which is dependent on agriculture. At present, 800 million of the 1 billion population in China are peasants. They constitute a tremendous driving force and, at the same time, a considerably restrictive factor for national economic development in our country. So long as the 800 million peasants are not well off and so long as the rural areas and agriculture remain backward, the whole society, including the 200 million plus urban population, cannot become better off, and China's industrialization and socialist modernization plans will never be fulfilled. [passage omitted]

Touching on agriculture during his inspection of Shanxi in early September this year, State Councillor Chen Junsheng made the following remarks. He said: Agriculture is not a solo; it should become a symphony. No trade or profession can do without agriculture. Likewise, agriculture cannot do without the support of all trades and professions.

We believe what he said is quite reasonable. Station reporter (Wang Yeqing) interviewed Comrade Chen Junsheng on the eve of National Day.

(Wang Yeqing) asked: How do you do, Comrade Chen Junsheng? Reform over the past 10 years has brought

changes in the rural areas, which is a fact recognized by people all over the world. However, some problems have cropped up, as deepening reform is carried out in depth. We would like to hear your views regarding the situation in the rural areas of our country.

Chen Junsheng answered: Very well. What has become of the situation in the rural areas of our country after undergoing reform for a decade? It should be said that the rural situation on the whole is good. This must be affirmed. However, some problems which we cannot afford to neglect have also appeared. Conspicuous among them is that agricultural development in our country has noticeably fluctuated and stagnated since 1985. The problem has caught the attention of all circles. Peasants feel the impact of decreased profits from agricultural products, which are now less than in the few years before 1985, due to an increase in the prices for the means of production. However, I am of the opinion that it is incorrect to be blindly optimistic when we deal with the rural and agricultural issues, and that it is groundless to be passive and pessimistic in our efforts to deal with these issues. It should be pointed out that tremendous potential exists for agricultural development in our country and that agriculture has a bright future.

(Wang Yeqing) asked: What do you think is the key to achieving great agricultural development in our country in the future?

Chen Junsheng answered: The issue of resources always occurs to me whenever the issue of whether or not we can succeed in promoting great agricultural development in the future is mentioned. It should be said that the issue of resources does exist, but it is not the key issue. After having made unremitting efforts for a long time, we are now entirely capable of satisfying the basic needs of the Chinese people with the existing resources. In my opinion, the key to whether or not we can succeed in achieving great development in agriculture lies in whether or not we can mobilize all sectors to make efforts to practically and effectively invigorate agriculture, which is a basic industry.

(Wang Yeqing) said: You just mentioned mobilizing all sectors to make efforts to improve the role of agriculture as a basic industry. What tasks should be accomplished in this endeavor?

Chen Junsheng replied: In my opinion, it is necessary for us to gradually straighten out various relationships in the economy, including the relationships between the central and local authorities, between different departments, between the government and the people, and between various laws, regulations, systems, and constructions for a number of years to come on the basis of maintaining a stable household responsibility system of linking remuneration to output. A lot of work can be done in this endeavor. As a matter of fact, the success of China's rural reform in the past decade was not brought about by the contributions of any single reform measure, but by a complete set of mutually supportive reform measures.

which produced comprehensive results. Therefore, comprehensive and mutually supportive reform measures must be carried out to promote rural reform and development in the future. These measures have to be effective and implemented in a practical manner.

(Wang Yeqing) stated: In other words, all trades and professions must take into consideration the development of agriculture in carrying out reform in all endeavors.

Chen Junsheng responded: You are right. It seems that the old saying—people depend on food as if it were their heaven—has been talked about by everyone for many years. Even so, people are apt to overlook the importance of agriculture when they are well fed. In fact, agriculture is a basic industry that interacts with the development of other industries. If we want to have an adequate food supply, promote the development of this basic industry, and increase effective supply, we must take into consideration the interests of the whole and have some special favorable treatment in terms of policies, science and technology, and investment appropriately slanted to benefit agriculture in our efforts to develop the national economy. It will never do for us to simply solve the problems encountered in the rural areas and agriculture. It is necessary for us to mobilize all sectors to make vigorous efforts to support the production of grain, cotton, edible oil, meat, poultry, eggs, vegetables, and other farm and sideline products. The amount set aside earlier this year for input into agriculture by all departments, in particular those that are in charge of funds and materials, departments with real decisionmaking authority, and leaders at all levels is quite handsome. However, our inspection now shows that a considerable amount has not been realistically and effectively used. Therefore, it is necessary for us to stress the importance of deeds, not words, in [words indistinct] the basic industry of agriculture and to give full support to agriculture and serve the peasants by taking into due consideration the interests of the whole.

(Wang Yeqing) said: It seems that only the agricultural sector looks upon agriculture as a basic industry.

Chen Junsheng answered: Such a situation does exist, but it must be changed. Looking upon agriculture as a basic industry is not the business of the agricultural sector alone. It cannot be called a basic industry if it is the business of one sector only. It is the business of all trades and professions. None of them can do without agriculture. It ought to be clearly noted that looking upon agriculture as a basic industry should become the guiding ideology of all departments, from the higher levels to the grass roots. It will never do for departments related to agriculture to simply hold meetings, prepare plausible

documents, and make gestures every year, and then resort to their old practices after the meeting is over. Some make fine speeches and gestures but resist the implementation of reform in earnest; some even use local and crude policies to interfere with the implementation of the policies of the central authorities. [Words indistinct] banks of the state, state-run businesses, credit cooperatives in the rural areas, the supply and marketing cooperatives, scientific and technological stations, and farm machinery stations must all provide their respective services. I would like to mention in particular that the business groups that contract scientific and technological services in agriculture have played a very great role in providing agricultural services. I saw their great achievements during my recent visit to Hebei. The contract system of business groups responsible for providing agricultural technology is implemented throughout Hebei Province now. We are spreading their experiences. If we work successfully in this endeavor, we will be able to truly mobilize all sectors. It seems to me that there is great hope for us to maintain long-term steady development of agriculture. [passage omitted]

#### Li Ruihuan Meets Agrotechnician Xie Jinbao

SK2810063889 Tianjin TIANJIN RIBAO in Chinese  
10 Oct 89 p 1

[Text] According to Comrade Li Ruihuan's suggestions, and at the invitation of the Tianjin Municipal CPC Committee, Xie Jinbao, a specialist in planting jujube trees, head of Shanxi Province's Jiaocheng County institution of forestry science, a senior agrotechnician, deputy to the National People's Congress, and a national advanced worker, came to Tianjin to offer his valuable experience. On 9 October, he made an academic report at the assembly hall of scientists. Present at the report meeting were Wang Chenghuai, member of the Standing Committee of the municipal party committee; responsible comrades from the municipal scientific and technological committee, the municipal agricultural and forestry bureau, and the municipal institution of agricultural science; and hundreds of scientific and technological personnel on the municipal forest fruit front.

During his inspection tour to the Jiaocheng County Institution of Forestry Science on 13 August, Comrade Li Ruihuan was much interested in Xie Jinbao's successful research in applying the skill of early- and high-yield, close planting of brachysm jujube trees, and wrote an inscription reading: "Develop Science and Technology and Benefit the People Through Developing the Fruit Industry." He also invited Xie Jinbao to visit Tianjin to transmit his valuable experience. Leading Comrades Li Ruihuan, Liu Jinfeng, and Li Jianguo met Xie Jinbao during his stay in Tianjin.

## East Region

### Shandong Official Comments on 'Grim' Social Order

SK2710064789 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 24 Oct 89

[Text] At the provincial meeting of Intermediate People's Court presidents which ended a few days ago, Ma Zhongchen, deputy secretary of the provincial party committee, called on People's Courts to give play to their functional role in trying cases and to safeguard stability and unity in line with the current situation and the tasks facing People's Courts.

He said: At the preceding stage, People's Courts throughout the province positively performed their duties and outstandingly fulfilled their tasks in the field of submitting themselves to and facilitating the overall situation, and in coordinating their activities with the overall situation. However, it should be noted that the province's social order situation remains extremely grim and the People's Courts are confronted with a very arduous task of trying cases. For instance, the trend of sharp increase in such serious criminal cases as murder, robbery, rape, theft, hooliganism, and abducting and selling people has not changed as of yet; the incidence of such serious economic crimes as graft, bribe-taking, speculation, and profiteering has not dropped remarkably; and those criminals who created the turmoil and rebellion have not been ferreted out thoroughly. Therefore, trying and dealing with serious criminal cases, serious economic cases, and the criminal cases that occurred during the period of the turmoil constitutes a new characteristic of the judicial work of the People's Courts this winter and spring. People's Courts at all levels should list the trying and handling of such cases as the most important part of their work and actually grasp it well. At the same time, they should extensively and forcefully pronounce judgment and impose punishment on such serious cases in close coordination with the nationwide campaign of eliminating the cases of prostitution; visiting prostitutes; manufacturing, selling, and spreading pornographic articles; abducting and selling women and children; privately growing, taking, and trafficking narcotics; gathering people for gambling; and defrauding people of their money and harming people by means of feudalist ways and superstitious belief.

Comrade Ma Zhongchen also called on People's Courts at all levels to actually attend to the ideological, organizational, and work-style building of their ranks of policemen and cadres, and to constantly improve the political and professional expertise of their ranks of policemen and cadres in order to gear their expertise to the demand of the current situation and the judicial tasks.

### Shandong Conference Addresses Falling Production

HK2710104189 Beijing RENMIN RIBAO in Chinese  
19 Oct 89 p 1

[Dispatch by reporter Jia Jianzhou (6328 1696 5297): "Shandong Province Stabilizes Current Policies to Prevent Decrease in Production"]

[Text] Jinan, 18 Oct—"It is necessary to prevent a decrease in production and try in every possible way to fulfill or overfulfill all tasks with respect to industrial production and traffic." At the telephone conference held today, the Shandong Provincial CPC Committee and the provincial government mapped out a specific plan for achieving the above objective, emphasizing that it is necessary to stabilize current policies and do a better job in educating cadres in enterprises so that they will free themselves from doubts and misgivings.

From January to September this year, Shandong's total industrial output value worked out at 74.5 billion yuan, up 16.2 percent over the same period last year, and higher than the average increase of 8.9 percent nationwide. The growth in budgetary output value, proceeds of sale, financial revenue, profits, and taxes of state-run industrial enterprises throughout the province was higher than the average level nationwide, and some of them came first countrywide. But there are some new problems with industrial production and traffic at present. In September, the growth in industrial production province-wide decreased to 6.5 percent from August's 13.1 percent, and there was a bigger decrease in economic returns. The budgetary realized profits and taxes of the industrial enterprises grew by 18.4 percent in the first half of this year, but they registered a negative growth in September. Quite a number of cadres with the enterprise expressed misgivings as to the factory director's responsibility system, the contract system, and specific business policies.

In light of the above situation, provincial party committee Secretary Jiang Chunyun, in his speech, pleaded with all localities to try their best to maintain stability and continuity of current policies, and put an end to the above unfavorable state. He emphasized that any reform measures that help improve the economic environment, rectify the economic order, stabilize the economy, and arouse the enthusiasm of workers should be continued and improved in practice. This basically means that the contract signed under the contract system must be honored; the profit due to the contractor during the relevant period under the contract must not be changed arbitrarily; the individual income of the manager must be linked to the economic returns of the enterprise and workers' wages; and party organization in the enterprise must support the director in independently addressing problems relating to management, production, and technological development; the director must respect and safeguard the party organization's status as a political core and conscientiously accept supervision by the party organization; the director should prudently deal with

problems with respect to economic accounts on their merits; the director should not be responsible for matters which were decided upon in the past in accordance with regulations laid down by the party organizations and governments at various levels despite the fact that the regulations are at odds with the present ones; the manager should not be held responsible for some mistakes and lapses caused by defective policies instead of summing up experiences and lessons if something goes wrong in the course of implementing the policies; the joint-purchasing and joint-marketing responsibility system applicable to supply and sales personnel within the enterprise should be continued and the improper fixed quotas be readjusted; and rules must be strictly followed in spending money on entertainments indispensable for the enterprise's normal business.

**Shanghai Predicts Increased Foreign Investment**  
*OW2710141889 Shanghai City Service in Mandarin  
 2300 GMT 16 Oct 89*

[From the "Morning News" program]

[Text] According to a report, the contract amount of foreign funds attracted and utilized by Shanghai Municipality has reached \$330 million as of the end of September, close to the level of \$338 million for all of last year. The amount of utilized foreign funds is estimated to reach \$350 million by the end of this year. It is a foregone conclusion that Shanghai Municipality will attract and utilize more foreign funds this year than last year.

**Shanghai Court Sentences Embezzler to Death**  
*OW2810145289 Shanghai City Service in Mandarin  
 1000 GMT 17 Oct 89*

[Text] Gu Zongyuan, a former employee of the Gangxi Supply and Marketing Cooperative in Chongming County, was sentenced to death by the Shanghai Municipal Intermediate People's Court in the first trial this afternoon for embezzling 269,000 yuan. This is the first death sentence for an embezzler in Shanghai in 5 years.

Gu, a former accounts receivable teller and tabulator of the cooperative's production means department, exploited loopholes in the financial system to embezzle 269,000 yuan in public funds between 1986 and May 1989. He spent most of the embezzled funds on gambling. After his crime was brought to light, he absconded to avoid punishment. Only 5,900 yuan of the illicit money was recovered when he was brought to justice.

Today, the municipal Intermediate Court gave lenient punishment to Xie Dengyun, an embezzler who surrendered to the authorities.

Xie, a former employee of the Shanghai Municipal Land Reclamation Supply Corporation, was sentenced to 2 years in prison, with 2 years probation, for accepting bribes in 1981. In 1987 and 1988, he abused his position

and power to embezzle and accept bribes totaling 73,000 yuan. In view of the fact that he turned himself in to the authorities, returned all the illicit money, and redeemed himself by exposing the crimes of others, the court reduced his sentence for the latter crimes to a 3 year prison term with 4 years probation.

### Central-South Region

#### Rectification Closes 47,000 Guangdong Firms

*HK3010031989 Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) in English 30 Oct 89 p 3*

[By Cheung Lai-kuen]

[Text] More than 47,000 township and private enterprises in Guangdong Province—about 4 per cent of this kind of enterprise in the province—have been closed down in this year as a result of China's "economy rectification".

Wan Minle, deputy director of the Township Enterprises Bureau of Guangdong Municipal Government, told BUSINESS that most of the closed enterprises were small in size and no foreign-funded enterprises had been affected.

He said statistics in June showed that about 1.1 million township and individual enterprises were registered in Guangdong and the majority were on a small scale.

"The township enterprises in Guangdong have been classified into four grades," he said.

"The first is county grade, the second village grade, followed by production brigade and individuals," Mr Wan said.

He said only 2,980 county and village grade enterprises had been closed down under the "rectification", while the rest were production brigades and individuals.

As to concern for the effect on foreign-funded enterprises during the rectification, Mr Wan said 9,221 county and village-grade enterprises were funded by foreign capital, mostly from Hong Kong and Macao.

"Most of these foreign-funded enterprises were processing-and-assembling joint-ventures and co-operative ventures. None has been affected," he added.

He said "rectification" within the township and individual enterprises was necessary because of over-expansion in the past two years.

"Most of the township enterprises in the province were in manufacturing, and the production output has reached 47 billion yuan (about US\$12.7 billion according to the official exchange rate) in the past year, with a sales income of 56.7 billion yuan," Mr Wan said.

"But in the first six months of this year, the production output has increased 40 per cent to 27 billion yuan over

the same period of last year, and the sale income grew 43 per cent to 30.3 billion yuan at the same time.

"The sharp increase was out of our planning. We have expected a 20 to 25 per cent growth rate for the whole year," he said.

But the growth rate had begun to drop since June.

"The production output of the township enterprises in certain major cities, such as Foshan and Zhaoqing, has dropped about 20 per cent in the three months after June, compared with the first half-year," he said.

He said this growth rate was more healthy when compared with the past two years. Both production output and sales income had grown too fast in the past two years, with an average growth rate of 30 per cent.

"In addition, fixed-asset investment grew by 40 to 50 per cent in the past two years. The Chinese partners have to pay huge amounts of capital despite a number of factories being funded by foreign investors," he said.

The first priority of the "rectification" was to control the expansion pace, he said.

"Over-expansion has caused problems of shortage of supply of electricity and raw materials."

Mr Wan said the government changed the role of the township enterprises in three ways.

"The first was to control capital construction investment, such as the building of factories.

"The second was to advise factories which faced the problem of over-supply in the market to change the production or promote exports.

"The third was to close factories which have caused pollution," he said.

Mr Wan said the total investment value of the factories under construction within the period from last spring to this spring was about six billion yuan spread over about 4,000 projects.

About 1,000 new enterprises with a total investment of about two billion yuan had been asked to stop or be postponed, according to their size and operation natures, he said.

Mr Wan said the bureau or the provincial government did not force any township and individual enterprises to close down, but some of them had adjusted through market mechanisms.

#### Guangdong Helps Curb Illegal Flight to Hong Kong

HK3110011789 Hong Kong SOUTH CHINA MORNING POST in English 31 Oct 89 p 2

[By Tommy Lewis]

[Text] Senior Guangdong officials appear determined to help the Hong Kong Government solve the problem of illegal immigrants from China.

Apart from stepping up border patrols, the Chinese authorities now impose stiffer penalties on those repatriated from either Hong Kong or Macao.

The fines range from 1,000 yuan (HK\$2,100) for first offenders to 5,000 yuan (HK\$10,500) for repeaters.

Repatriated illegals are held at a detention centre at Lowu and only released when they have paid the fine or have signed a confession. They are then sent to do various community services.

Repeat offenders who cannot pay the fine are sent to labour reform camps.

Also, from next month repatriated illegals who work for state-owned corporations will have their wages cut by 30 percent and be required to buy state bonds.

However, sources said many in the mainland were still prepared to risk being caught. Before they left China, they would deposit enough money to cover any fines with relatives living near the Sino-Hong Kong border.

This would enable them to avoid being taken back to their original communes where they could lose their jobs and other government benefits.

Meanwhile, security forces arrested a total of 75 illegals over the 24-hours period ending at 5 am yesterday.

Public Security Bureau officers in Zhuhai have arrested more than 100 people from Nanping village in connection with smuggling illegals into Macao.

Nanping is only about two kilometres from Macao across the West River.

#### Henan Province Rectifies Coal Market

HK2810051789 Beijing RENMIN RIBAO in Chinese  
23 Oct 89 p 1

[Dispatch by reporter Li Jie (2621 2638): "Henan Province Rectifies Its Coal Market"]

[Text] Zhengzhou, 22 October—Henan Province has recently adopted measures aimed at rectifying and improving its coal market, controlling coal prices, and banning the sale of false coal, and has already achieved initial results in this regard.

Henan Province is the second largest coal-producing province in China. Coal quality has deteriorated sharply for various reasons since the fourth quarter of last year. As a result, false coal has been on sale in the market, which has become disordered, and provincial coal prices have rocketed. All these phenomena have adversely affected the agricultural and industrial production in Henan Province and the livelihood of the people. In order to put an end to this rigorous situation, at the

beginning of this year, the Henan Provincial People's Government, and the relevant prefectures and cities in Henan Province, formed a leading group aimed at strengthening management and rectifying the provincial coal market. The group consisted of the provincial coal, pricing, industrial, commercial, quality supervision, and public security departments. It was charged with the responsibility of tackling problems that crop up in the course of coal production, supply, and marketing in a collective and comprehensive way. In coal production, the leading group has banned all unauthorized coal exploitation. In coal circulation, the leading group has strengthened management of coal prices and marketing, set the highest prices for coal produced by local coal mines and various township and town coal mines, abolished unreasonable charges in this respect, and disbanded a number of illegal coal production and marketing units in the province. It has been learned that the number of coal production and marketing units in Jiaozuo City, Henan Province, has been reduced from over 300 to the current 37.

In order to reduce the large number of unnecessary links and barriers in provincial coal operations, Henan Province has enforced a unified management and marketing system in various coal producing cities, prefectures, and counties with a view to ensuring the full realization of state and provincial allocation plans and stabilizing the provincial coal market. Henan Province has applied severe economic sanctions against units and individuals selling false coal.

Henan Province has now achieved the desired results in rectifying its coal market. For instance, coal prices in Henan Province have been stabilized and have fallen a bit. The sale of false coal has been banned. Most important of all, Henan's coal market has gradually become stable.

### **Southwest Region**

#### **Sichuan Conference Examines Industrial Issues**

*HK2310012589 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 22 Oct 89*

[Excerpts] A provincial industry and communications production work conference which concluded on 22 October called on the staff and workers throughout the province to deal correctly with the current difficulties facing production, unify their thinking and understanding, brace their spirits, establish confidence, and go all-out to promote the province's industrial and communications production.

In the 1st half of this year, the province's industrial growth rate increased, foreign exchange earnings from exports rose, and economic returns improved steadily. Since the beginning of the 3d quarter, industrial growth has started to slow down, with the growth rate declining each month. Leaders of the provincial party committee and government have attached great importance to this

issue and have on many occasions studied the solution of problems such as capital and raw materials. Production management has been strengthened. However, production has continued to decline. September output value showed a drop of 1.15 percent compared with September last year. This was the first negative growth this year. Although economic returns from January to September were better than the national average for the period, the performance in the main economic returns indices has gradually declined as industrial growth has slowed. At present there has been no great change in the softening of the markets and the stagnant sales of industrial products. The contradiction of capital shortage has not eased much. This has posed even greater difficulties for the industrial enterprises in organizing 4th quarter production and also affects production preparations for the 1st quarter of next year.

In view of this grim situation facing Sichuan's industrial production at present, the provincial government convened this provincial industry and communications production work conference in Chengdu on 20 October. [passage omitted]

Speaking at the meeting, Vice Governor Pu Haiqing called on the leaders of the government and the departments concerned at all levels, and the staff and workers on the industry and communications front, to unify understanding and thinking.

First, they should understand that the difficulties we are now facing are the conspicuous reflection of total demand exceeding total supply for many years, accompanied by deep structural contradictions.

Second, they must understand that the current difficulties in industrial production can only be gradually resolved through improvement and rectification. We must persevere in rectification and improvement and must certainly not leave the work half done. In the course of rectification, we should harmonize the various relationships and tap the enterprises' potentials.

Third, people must understand that opportunities exist as well as difficulties. The current softening of the markets provides an excellent opportunity for the enterprises to readjust their structure, improve product and service quality, strengthen internal management, and do on.

Fourth, it is necessary to understand that the difficulties facing the industrial and communications enterprises are not things that can completely be overcome by the industrial and communications system itself; the coordinated cooperation of all departments is required. In accordance with the spirit of the 4th Plenary Session of the 13th CPC Central Committee and Comrade Jiang Zemin's National Day speech, it is necessary to bring people's thinking into line with the guiding ideas, policy measures, and practical work of the provincial party committee and government for industrial and communications production.

Fifth, we must deal cautiously with the current stagnation in market sales. We should realize that production of the majority of commodities is not excessive, that the contradiction of demand outstripping supply has not been fundamentally resolved, and that the stagnant sales of some daily necessities create a very false impression, and some even change very quickly from not selling to being sold out. We must therefore continue to get a good grasp of production and sales of daily necessities and products for supporting agriculture. [passage omitted]

Vice Governor Ma Lin, speaking at the meeting on behalf of the provincial government, proposed four countermeasures for overcoming the current difficulties facing industrial and communications production in the province:

1. Stabilize the policies and the enterprises and calm people's minds. We should practice all policies permitted by the state and the relevant documents and that have not been changed. We should not hold the enterprise operators accountable for certain problems that occurred on account of policy factors in the past. Enterprises whose contracts expire this year must complete the signing of new contracts by the end of November. We must continue to implement the provincial authorities' policy measures for invigorating large and medium-sized enterprises, and actively support local industries, collective enterprises, and township and town enterprises with good economic returns and sales outlets, and especially those that accord with the industrial policy. We must draw certain policy demarcation lines in enterprise operations and promote production operations.

We must pay close attention to ideological problems caused among staff and workers by production halts or semi-halts in enterprises, do a good job in ideological and political work, and guard against the emergence of new factors for instability.

2. Continue to open up the markets and expand product sales. We should readjust the product mix in light of market requirements. [passage omitted] With regard to commodities whose sales are controlled we can, under the premise of ensuring the fulfillment of the control targets, appropriately relax controls over the enterprises and units.

3. Get a good grasp of resolving the problem of shortage of mobile funds. The provincial government has decided to allocate 200 million yuan in mobile funds and loans for the enterprises before the end of October, together with 200 million yuan in capital tied to the import of raw materials. [passage omitted]

4. Improve production management, get a good grasp of the double increase and double economy drive, and promote labor emulation. [passage omitted]

On production preparations for the 1st quarter of next year, Vice Governor Ma said that all areas must arrange and firm up for the enterprises the production plans for next year—especially for the 1st quarter—as soon as

possible, get a good grasp of ordering goods, strive to set up more contracts, and do a good job in preallocating and reserving raw materials. [passage omitted]

#### Eight Prodemocracy Tibetans Sentenced To Labor

HK3110104889 Hong Kong AFP in English  
1034 GMT 31 Oct 89

[Text] Beijing, Oct 31 (AFP)—Eight Tibetans have been sentenced to between two and three years in re-education through labor camps for chanting pro-independence slogans during protests in the capital Lhasa, a Tibetan newspaper reported.

The October 18 edition of the TIBET DAILY received here Tuesday said the sentences were handed down by a people's tribunal in the Tibetan capital in accordance with the Committee for Re-education Through Labor.

The newspaper did not specify when the sentences were meted out.

Four Buddhist nuns who staged an illegal demonstration in central Lhasa on October 14 calling for independence for Tibet were sentenced to three years in labor camps, the newspaper said. They were identified as Pingzuozongjie, Geshangwangmu, Dangzengjupjie and Danzengwangmu.

Two other nuns from the Miqiong Monastery arrested during the demonstration, Pingzuonizheng and Pingzuobaimu, and considered ringleaders of the protest, are still awaiting sentencing, it said.

Two Tibetans, Geshangzuoga and Cijie, who shouted "reactionary" slogans in public in Lhasa on October 14, were sentenced respectively to three and two years in reeducation camps, the TIBET DAILY said.

Two other nuns, Luoshangzuoma and Awangjuzheng, were sentenced to three years in labor camps for staging a demonstration in central Lhasa on October 15 and chanting "reactionary" slogans, it added.

Martial law was imposed in Lhasa on March 8 after violent anti-Chinese protests coinciding with the 30th anniversary of the 1959 insurrection in the Tibetan capital that was crushed by the Chinese Army with the loss of some 10,000 lives.

China's official press has said at least 30 people have been sentenced to prison, one of them for life, stemming from the March 5 anti-Chinese violence in Lhasa in which witnesses said at least 50 to 60 people died.

The NEW CHINA NEWS AGENCY reported meanwhile that 243 million U.S. dollars have been earmarked for Tibet to finance the expansion of Lhasa's airport and a chromium mine and construction of an electrical power station.

**Government To Invest 900 Yuan Million in Tibet**

*HK2710050189 Lhasa Tibet Regional Service  
in Mandarin 1130 GMT 26 Oct 89*

[Excerpt] While inspecting the Gonggar Airport expansion project recently, regional people's government Vice Chairman Mao Rubai pointed out that the state would make an total investment of 900 million yuan in some key construction projects in our region in the next few years.

These projects include the ongoing expansion of Gonggar Airport, the building of the (Yanghu) Power Station, and the exploitation of the (Luohuban) Chromium and Iron Mine. The state has planned to invest 200 million yuan in expanding Gonggar Airport, 600 million yuan in the (Yanghu) Power Station, and 30 million yuan in the (Luohuban) Chromium and Iron Mine.

During the inspection visit, Mao Rubai inquired of leaders of the Shannan Prefectural Administrative Office and Gonggar County People's Government how they had arranged expenditures and the labor force for expanding the airport. He also pointed out that it is necessary to give wide publicity to the importance of the key construction projects to be built among the masses of the people. [passage omitted]

**North Region****Beijing Secretary Attends National Day Reception**

*SK2610121189 Beijing BEIJING RIBAO in Chinese  
2 Oct 89 p 1*

[Excerpts] Yesterday, the municipal government held a reception at the Guoji Hotel to welcome Overseas Chinese compatriots and compatriots from Hong Kong, Macao, and Taiwan who came to attend the celebrations to mark the 40th anniversary of the founding of the country held in Beijing. Li Ximing, member of the Political Bureau of the CPC Central Committee and secretary of the municipal party committee, and other leading comrades attended the reception. Chen Xitong, state councillor and municipal mayor, proposed a toast.

The reception began at 1700. The band played the national anthem of the People's Republic of China.

Proposing a toast on behalf of the Beijing municipal government and the 10 million people throughout the municipality, Mayor Chen Xitong extended warm welcome and festive greetings to their relatives from abroad. On behalf of the Beijing municipal government, he cordially thanked the Overseas Chinese compatriots and compatriots from Hong Kong, Macao, and Taiwan for providing various forms of support and help for the development in the capital. [passage omitted]

The reception was attended by 350 persons, including leading comrades of the central departments concerned such as Liao Hui, Xu Weicheng, Wan Shaofen, Gao

Dengbang, Li Hou, and Zhuang Yanlin; municipal leaders, including Wang Xian, Zhao Pengfei, Bai Jiefu, Wang Jialiu, Zhang Jianmin, Zhang Baifa, Li Zhijian, Huang Chao, Wu Yi, Lu Yucheng, He Luli, Feng Mingwei, Su Fuling, Li Bokang, and Tie Ying; Overseas Chinese compatriots; compatriots from Hong Kong, Macao, and Taiwan; returned Overseas Chinese; and representatives of families of Overseas Chinese who came to attend the celebrations to mark the 40th anniversary of the founding of the country held in Beijing.

**Hebei Leaders Attend Veteran Cadres Tea Party**

*SK2610121589 Shijiazhuang HEBEI RIBAO  
in Chinese 27 Sep 89 p 1*

[Excerpts] On 26 September, the provincial party committee and the provincial government cosponsored a tea party for veteran Red Army men and veteran cadres of the provincial-level organs to mark the 40th anniversary of the founding of the PRC. Present at the tea party were more than 100 people, including the veteran comrades who had respectively joined the first and second revolutionary wars, the war of resistance against Japan, and the war of liberation. Qu Weizhen, member of the Standing Committee of the provincial party committee and director of the Organization Department of the provincial party committee, presided over the tea party.

Xing Chongzhi, secretary of the provincial party committee, made an impromptu speech at the tea party. He extended respects and thanks to the veteran comrades.

On behalf of the provincial party committee and the provincial government, Li Wenshan, deputy secretary of the provincial party committee, extended lofty respects and festive greetings to the veteran comrades and the seniors participating in the tea party, and some 150,000 veteran comrades across the province who had made great contributions to overthrowing imperialism, feudalism, and bureaucrat-capitalism, and to building the People's Republic. [passage omitted]

Present at the tea party were Guo Zhi, Zhang Chao, Ye Liansong, Bai Shi, and Xu Chunxing, and leading comrades of the provincial party committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial government, the provincial committee of the Chinese People's Political Consultative Conference, the provincial Military District, and the provincial Discipline Inspection Commission.

The tea party was held in a thrifty and simple manner amid a warm atmosphere. Some veteran comrades and literary and art workers gave brilliant theatrical performances at the party.

**Hebei Leader Addresses Forum on Handicapped Work**

*SK2710093789 Shijiazhuang HEBEI RIBAO  
in Chinese 26 Sep 89 p 1*

[Text] "Localities whose work concerning the affairs of handicapped people is backward will be deemed as

handicapped in their administrative work and will not be appraised as advanced in building spiritual civilization." This is a part of the comments by Xing Chongzhi, secretary of the provincial party committee, at the organizational work forum of handicapped people's federations at all levels throughout the province.

A long time ago, the State Council proposed that various prefectures, cities, and counties (districts) should establish work institutions for the handicapped. However, there are only four cities throughout the province that have established such federations. The organizational work forum sponsored by the provincial Handicapped People's Federation is aimed at holding discussions on handling the lack in this regard.

While hearing the reports given by various prefectures and cities on their work to establish handicapped people's federations, Xing Chongzhi frequently expressed his opinions by comments to their speeches in which he stated: Never forget our country is socialist. In dealing with the problems concerning the handicapped, a socialist country should be better than a capitalist one in this regard. Never forget we should serve the people, and the handicapped are a part of the people as a whole and a part which faces the most difficulties in life; never forget we should show special concern for them, and also never forget that handicapped people may make contributions to social progress. Some inventions and creations have been made by the handicapped. We should never regard them totally as burdens, but rather arrange work suitable to them and provide an opportunity for them to bring their capability into play.

While voicing his opinions, Xing Chongzhi urged various counties to complete their work of establishing handicapped people's federations by the end of this year. He stated that handicapped people's federations should arouse various social circles to show mutual concern for the undertakings of the handicapped and to do practical deeds for them.

#### Tianjin Secretary Meets Visiting Minority Group

SK2610134789 *Tiajin TIANJIN RIBAO* in Chinese  
6 Oct 89 p 1

[Excerpt] The 136-member national day visiting group of minority nationalities from all over the country arrived in our municipality on the morning of 5 October for a 4-day visit. Yang Jingheng, member of the Standing Committee of the municipal party committee, and Li Changxing, municipal vice mayor, greeted the visiting group at the Tianjin Station.

Zhuo Jia (Tibet), vice minister in charge of the State Nationalities Affairs Commission, was the leader of the visiting group. Caodanuofuzhayier (Uygur), vice chairman of the Xinjiang Uygur Autonomous Regional People's Congress Standing Committee, and Hu Songjie (Chinese), vice chairman of the Tibet Autonomous Regional People's Congress Standing Committee, were vice leaders.

On that afternoon, Vice Mayor Li Changxing chaired a meeting for responsible comrades of the municipal Planning Commission, commission for restructuring of the economy, and office in charge of economic cooperation to introduce the municipality's achievements scored in the past 40 years after the founding of the country, and its economic cooperation with minority areas.

In the evening, Tan Shaowen, secretary of the municipal party committee; Nie Bichu, municipal acting mayor; Wu Zhen, chairman of the municipal People's Congress standing committee; Zhang Zaiwang, member of the National People's Congress Standing Committee; Yang Jingheng, member of the Standing Committee of the municipal party committee; Li Changxing, municipal vice mayor; and He Guomo, vice chairman of the municipal committee of the Chinese People's Political Consultative Conference, met with leaders and all the comrades of the visiting group. [passage omitted]

#### Northeast Region

#### Heilongjiang Secretary Stresses Party Building

SK2610114089 *Harbin HEILONGJIANG RIBAO*  
in Chinese 20 Sep 89 pp 1, 2

[Speech by Sun Weiben, secretary of the Heilongjiang Provincial CPC Committee, at provincial conference on party building and ideological and political work on 19 September: "Several Issues on Strengthening Party Building and Ideological and Political Work"]

[Text] 1. The issue of persistently taking economic construction as the central task, and the issue that the party handles party affairs. When understanding and handling the relationship between these two issues, we should presently correct or guard against the following three tendencies.

First, we should correct the tendency that the party does not handle party affairs. In the process of shifting the work focus in the past few years, some of our party organizations neglected the work of improving the party itself. This, in addition to the influence of Comrade Zhao Ziyang's erroneous guiding thought, helped promote the tendency that the party does not handle party affairs. Attention was given more to economic construction, reform, and opening up, and less to party building and ideological and political work. Proper coordination was lacking between the two. When carrying out their work, party committees at various levels exerted more efforts to study and solve the problems in economic construction, and less to improve the party itself in a down-to-earth manner; stressed the achievements in economic construction to the neglect of the achievements in improving the party itself when evaluating and appointing cadres; and were burning with impatience and worried, waking or sleeping, when problems in production arose (which was correct, of course), but remained indifferent when the body of the party was corroded. The party's basic work was weakened and even

neglected. At the present conference, the participants said that it was time to change such a situation once and for all. In their current efforts to implement Comrade Xiaoping's instructions on concentrating attention on party building, party committees at various levels should firmly foster two ideas and emphatically resolve three issues. Secretaries of party committees at various levels should have the idea that party building is their first responsibility, personally study and resolve the important issues on party building, and not rely on responsible secretaries and functional departments alone to attend to this work. They should have the idea that the entire party should attend to party building. All members and departments of party committees should exert concerted efforts to attend to party building, with responsibility divided and assigned to everyone. Members of party committees and responsible persons of leading party groups who are working at government departments should conscientiously improve the party building of government organs to ensure that the resolutions of party committees are implemented. In the current endeavor to attend to party building, they should properly resolve the issues on leading bodies, anticorruption work, and improvement of grass-roots party organizations. They should also further improve the systems of reporting and examining. They should report on the work of party building to party committees at higher levels and conduct examination of the work carried out by those at lower levels at least once a year, and should conscientiously urge and supervise the efforts to solve problems discovered during the examination.

Second, we should guard against the tendency of deviating from the central task of economic construction. Shifting the work focus of the entire party to socialist modernization is "the most fundamental work in setting things right," as pointed out by Comrade Xiaoping. It was precisely because of this historical shift of the party's work focus that the 10 years of reform and opening up became a period which saw the greatest economic growth rate and the greatest benefits to the people since the founding of the country. Our present efforts to correct the tendency that the party does not handle party affairs never means that the work of the entire party can be divorced from economic construction, which is the central task, nor that economic work can be neglected. Adhering to the basic line consisting of "one central task and two basic points" and ensuring the continuation and stability of the line, principles and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee remain to be the greatest tasks confronting the entire party. Our present economic construction faces the difficulty of inflation. After the rebellion was suppressed, the myopic economic blockade imposed on us by hostile Western capitalist forces created another new difficulty to us. Under such circumstances, whether or not our party can successfully overcome the difficulties in economic activities and fulfill the tasks in the endeavor to improve and rectify becomes not only an economic issue, but a serious political issue. Judging

from a long-term point of view, without a stable economic development, a long period of political order and stability will be impossible. Therefore, the four modernizations remain our "greatest political task" at present. Here, the provincial party committee urges party committees and governments at various levels to place economic construction firmly in the central position of the entire work of the party and government.

Third, we should guard against the tendency to forsake or cast off the party's leadership over economic work. When summarizing the experience gained in the work of letting the party handle party affairs, some comrades have a misunderstanding—that is, the problem of the party refusing to handle party affairs which has emerged over the past few years has resulted from a shift in the work emphasis and from a concentration on economic construction. Concentrating the attention on party building means precisely letting the party handle party affairs only. This kind of misunderstanding has neglected a basic fact—that is, our party is a ruling party, and organizing and guiding the modernization drive is the basic intention of the ruling party at the present stage. Abandoning or rejecting the party's leadership over economic work means weakening or negating the party's position of ruling the country. Therefore, even after the separation of party functions from those of the government, there is no question about whether or not the party should guide economic work. The question is what form should the party adopt to guide economic work, and how can the party guide economic work in an even better way. Of course, methods such as the party's failure to separate its functions from those of government, taking on all administrative and routine economic work, or taking charge of the matters which it should not and cannot handle, or cannot handle effectively, will—far from strengthening—weaken the party's leadership over economic work. The correct methods should be: Studying how to solve problems concerning major principles in order to ensure that economic construction will develop in the correct direction; selecting, promoting, and recommending excellent cadres in line with the demands of the party's basic line and with the party's requirements for cadres with a view to enabling all levels of leading bodies to assume the responsibility for guiding economic construction; and giving play to the role of party organizations and party members to ensure the implementation of the party's principles and policies concerning economic work.

2. The issue of upholding the four cardinal principles, and the issue of emancipating the mind. These two issues are identical and were originally unified. At present, in these issues, we should pay attention to two points: 1) We should guard against the advocates of hawking bourgeois liberalization under the signboard of emancipating the mind. At one point in time, some people intended to free themselves from the four cardinal principles under the signboard of emancipating the mind, and therefore the idea of "total Westernization" gained ground when we were off guard. In newspapers,

periodicals, and through rostrums, these people brazenly hawked such views as the "theory that socialism and capitalism tend toward the same destination," the "theory that Marxism is antiquated" and the "theory that socialism must fail." Even worse, in some places, whoever curses communism is acclaimed by the people and whoever stresses the four cardinal principles is sneezed at and attacked by the people. Such ugly phenomena as prostitution and drug-taking—that had long been stamped out in our country after the founding of New China—have revived; and such feudal and corrupt things as obscene articles, pornographic books and periodicals, gambling, fortune-telling, mercenary marriage, and extravagant weddings and funerals have once again spread unchecked. In some places, phenomena such as this have developed to the point of facing the fearful with no fears. Some things which are divorced from the national condition and go beyond the limits of reality—such as the theory that high consumption stimulates production and the theory that inflation is not harmful—have also emerged one after another under the signboards of "emancipating the mind" and "blazing new trails," thus bringing serious confusion to social, political, and economic lives. These phenomena show that the emancipation of the mind is by no means an abstract idea. In emancipating the mind, we must regard the adherence to the four cardinal principles as the prerequisite, regard the seeking of truth from facts as the foundation, and regard practice as the criterion of examination. In addition, we must always vigilantly guard the so-called "emancipation of the mind" which is aimed at negating the four cardinal principles.

Second, we should guard against the tendency of having doubts about and negating the positive achievements in emancipating the mind. After the recent turmoil, some comrades learned a lesson from negative examples, becoming afraid to talk about emancipation of the mind, and even knowingly or unknowingly regarded the things that represented the positive achievements in mind emancipation as propositions for bourgeois liberalization. Such a situation also merits our attention and vigilance. The party Central Committee reiterated time and again that the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee will not change, and that the theoretical viewpoints, idea of reform, and established policies clearly expounded at the 13th party congress should be implemented firmly and continuously as long as they have not been officially adjusted by the party Central Committee. The positive achievements scored during last year's large-scale discussion on the criterion of productive force also brook no negation. We oppose the tendency of vulgarizing the criterion of productive forces. However, we should uphold the criterion of productive forces that is based on historical materialism. Meanwhile, we should continue to encourage creativity in performing work. In carrying out reform, opening up, and construction, any wait-and-see and hesitant attitude will adversely affect the development of our causes. Comrade Deng Xiaoping's three speeches have

already clarified the series of important issues concerning the orientation for the present and for a long period to come. Under such circumstances, it is not right to wait passively and hesitate to press forward. Of course, we do encounter many new situations and new problems unheard of before. This requires exactly that we further emancipate our minds on the premise that the four cardinal principles, the criterion of practice, and the criterion of productive forces are adhered to, and bravely conduct explorations and create the new in line with specific local conditions. Particularly, the "four shortages" in industry and drought in agriculture have brought us even more severe tests. This requires us all the more to arouse spirits, value the vivid and lively political atmosphere permeated with vigorous ideas created since the 3d Plenary Session of the 11th CPC Central Committee, and carry out the work in various fields in a successful and creative manner in line with specific local conditions and the instructions from higher levels.

3. The issue of persisting in reform and opening up, and the issue of guarding against "peaceful evolution." How to resist the international bourgeoisie's strategy of "peaceful evolution" under the condition of reform and opening up is an important task for party building and ideological and political work. Facts of the recent turmoil and rebellion reminded us once again that the international forces against communism and socialism had never given up their basic stand of hostility toward the socialist system, and had never stopped enforcing their strategy of "peaceful evolution." The struggle between two social systems—with the struggle for and against infiltration, subversion, and "peaceful evolution" as the major form—will last through the entire process of socialist reform and opening up. Therefore, we should have full mental preparations; maintain high vigilance; regard adherence to the four cardinal principles, opposition to bourgeois liberalization, and prevention of "peaceful evolution" as a long-term strategic task; and carry it out completely and successfully.

What has happened in the past few years and the outbreak of the current storm show that there are in fact two completely different trains of thought with regard to the issue of reform and opening up. One represents the reform and opening up based on the four cardinal principles, which has been consistently advocated by Comrade Xiaoping. This is the self-perfection of the socialist system. The other represents the so-called "reform and opening up" advocated by the persons upholding the stand of bourgeois liberalization. Its essence is supporting, by the coordinated action, the "peaceful evolution" of the international hostile forces and trying to make China a capitalist country. We must make a clear distinction between these two trains of thought. 1) Our reform and opening up should be aimed at reforming some rigid systems which lag behind the development of productive forces, and drawing on foreign countries' advanced scientific, technological, and cultural achievements, as well as their experiences in

management which are beneficial to the development of the socialist commodity economy, on the prerequisite of adhering to the socialist direction and the principles of independence and self-reliance. Our reform and opening up is by no means "total Westernization." 2) Our reform and opening up should be aimed at creating an operational mechanism of the socialist commodity economy which is suitable for the condition of our country and which organically integrates the planned economy with the market regulation. Our reform and opening up never means developing a completely market-oriented economy which excludes and abandons plans. 3) Our reform and opening up is aimed at exploiting the beneficial and necessary supplementary role of the individual and private sectors of the economy by upholding the principle of developing diversified sectors of the economy with public ownership as the keystone. On no account does our reform and opening up mean weakening or abolishing the predominant role of the publicly owned economy, nor does it mean carrying out the so-called "mixed economy" in which all sectors of the economy run neck and neck—even less does it mean practicing "privatization of the economy." 4) Our reform and opening up is aimed at building a high degree of socialist democracy and a perfect socialist system, far from engaging in the "multi-party system," "parliamentary democracy," and the "multiple politics" which are unsuitable for the condition of our country. Over the past 10 years, our reform and opening up has been carried out in line with the train of thought designed by Comrade Deng Xiaoping; and the direction of our reform and opening up has been the correct and successful way. Just like Comrade Xiaoping said: "We have not committed mistakes," "and what we have lagged behind in is doing enough in carrying out reform and opening up."

Of course, we must also face up to the certain confused situations that have emerged in the preceding stage of reform and opening up because of the interference by bourgeois liberalization; the certain errors resulting from the lack of experience and good leadership; and the several problems resulting from the succession of new cadres for the old and the coexistence of the double track systems. However, we should never attribute all problems to reform and opening up itself, and then lose confidence in and deviate from the correct orientation of reform and opening up. We should not refrain from carrying out reform and opening up for fear of a slight setback. In other words, we should not abandon reform and opening up for fear of "peaceful evolution." The current campaign of improving the economic environment and rectifying the economic order never represents a setback in reform and opening up, but means creating conditions for deepening reform. Therefore, all measures and policies concerning reform and opening up formally announced and issued by the party Central Committee, the State Council, the provincial party committee, and the provincial government, except for those which have been readjusted, should be firmly implemented and gradually perfected after summarizing the experiences

gained from implementation. So far as the enterprise managerial contracted responsibility system is concerned, we should, for instance, conscientiously study ways to solve the overly low base figure of contracts, the short-sighted behavior of enterprises, and the problem of assuming responsibility for profits but not losses, and then develop methods as quickly as possible to improve them. We should not return to the old road of assuming responsibility for profits or losses in a unified manner and eating from the same big pot. As for the rural household-based output-related contracted responsibility system, we should constantly improve it in line with the principles of facilitating the exploitation of the role of mechanization, the application of advanced technologies, the development of the agricultural capital construction, the enhancement of the level of land output, and the increase in peasants' income. As for the individual and private sectors of the economy, we should promote their steady development on the prerequisite of strengthening the collection and management of taxes. As for town and township enterprises, the general principle is to effect sustained growth in the course of readjusting them. In particular, great support should be given to those town and township enterprises which primarily engage in the processing of agricultural and livestock products and which do not scramble for energy resources and raw materials with large industrial enterprises. Those peasants who leave the land for non-agricultural jobs, business, industries, and circulation trade should not be banned so long as their practices are legitimate. Our current endeavor to rectify the companies engaged in border trade has never intended to cut back on border trade. Instead, it is meant to broaden the road for barter trade on the premise that macromanagement and coordination is strengthened; to open up new fields of economic, technological and labor service cooperation; and to expand the business and make it more successful and brisk. Pilot areas designated by the provincial party committee and government for reform should continue their explorations on ways to deepen reform and opening up. In short, only when reform and opening up are promoted unwaveringly can the development of productive forces be facilitated, a productivity higher than that of capitalists be created, and the superiority of the socialist system be fully developed. Only in this way can we crush once and for all the conspiracy of "peaceful evolution" of the international bourgeoisie.

4. The issue of persisting in the party's guiding principles and nature, and the issue of implementing the policies for the present stage. We should correctly handle these issues when carrying out our actual work. On the one hand, when implementing the party's policies for the present stage, we should expand propaganda on communism. The propaganda on communist ideals and the education on communist ideas were weakened in the past few years. Quite a large number of party members had their lofty faith in devoting all their lives to communism shaken. As a result, we slackened efforts to conduct propaganda and education and give guidance through communist ideas in the entire society, particularly

among the younger generation; made room for the ideas on bourgeois liberalization and various nonproletariat ideas; and caused a decline in the spiritual level of the entire society. The influence of shaken faith on the part of some comrades within the party and a decline in the spiritual level outside the party was an important reason why corrupt phenomena went rampant. These bitter experiences proved that it is very dangerous for a party to lose lofty ideals and faith, and for a nation to lose the spiritual pillar. Drawing lessons from the bitter experiences, we should resolutely intensify the education on communist ideas within the party, and enthusiastically encourage and advocate any new things imbued with communist factors in society so that the masses in and outside the party can see the hope of the party and the nation.

On the other hand, when carrying out the party's tasks for the present stage, we should never obscure the party's nature as a proletarian vanguard. Aimed at realizing the party's fighting programs, the party's current policies have been formulated on the basis of the objective demands of the present-stage national conditions and development of productive forces. Some of them are required by socialism, and others, as a supplement to socialism, are demanded by the development of productive forces. Therefore, things permitted by current policies are not necessarily the ones that party members are permitted to undertake. For example, the party has a policy of respect for the freedom of religious belief, but party members are not permitted to believe in any religion other than Marxism-Leninism; and the current policy permits the private economy to exist within a certain scope, but party members are not permitted to engage in exploitation through the hiring of labor. We should never lower the standard for party members to a level permitted by current policies, even less permit admittance to the party of the people who are incompatible with the communist cause. We should strictly adhere to the standard for party members, continuously improve their quality, and keep the party pure and advanced. Corrupt elements and people advocating bourgeois liberalization within the party should be resolutely expelled from the party. "Party members unworthy of the name" who do not perform their functions as party members, and who do not mend their ways despite education, should be made to leave the party through democratic appraisals by party members and the regular rectification of the organizations. Meanwhile, we should strictly guard entrance to the party. At present, we should pay particular attention to recruiting party members from the industrial workers on the forefront of production.

5. The issue of the enterprise party organizations' role as the political core and the issue of plant directors' key role. Recently, the central authorities defined again the grass-roots party organizations' role as the political core. Viewing the current situation, we know that the problems on how the party organizations of institutions of higher learning and the rural grassroots units bring into

play their role as the core of leadership have been solved. At the meeting, the participants talked relatively extensively about the issue of how enterprises can do a good job in handling the party organizations' role as the leadership core, and about the plant director's key role. In order that the work not be adversely affected, we have defined, in line with the actual conditions and the guidelines of the central authorities, several following regulations before revising the "Enterprise Law." 1) We should continue to separate the party's functions from administrative management and let each element attend to its own duty. 2) The party and the administration should cooperate with each other, proceed from production to attend to ideological work, start from ideological work to attend to production, and not argue with each other on what duty they should do. They should positively carry out their work in line with a common goal. 3) In doing the day-to-day work, plant directors should respect the role of the secretary as a team head in exercising the centralized leadership of party committees, and secretaries should support the plant directors' key role in production and management. Proceeding from the party's undertakings, plant directors and secretaries must neither scramble for power nor contend for leadership. 4) It is necessary to persist in the principle of democratic centralism. Instead of secretaries, enterprise party organizations should play a role as the political core. Therefore, enterprise party committees should handle affairs according to the principle of democratic centralism. Party member plant directors with qualifications should join party committees through elections and should conscientiously enforce the party committees' collective resolutions. 5) We must never return to the old path of replacing administrative management by the party. Enterprise party organizations play a role as the political core. Bringing into play the enterprise party organizations' role as the political core does not mean replacing the plant directors' decision-making power on guiding production and management or changing the plant director responsibility system. Enterprises are units of production and management. Thus they cannot go without a definite responsibility system. The collective responsibility system is a system through which no one assumes responsibility. As legal representatives of enterprises, plant directors must assume responsibility for enterprises' management, production, technological development, and spiritual civilization.

At present, party organizations of large and medium-sized enterprises should pay prominent attention to fulfilling five duties in order to bring into play their role as the political core. 1) They should supervise enterprises' implementation of the line, principles, and policies as set forth by the party and the state; take part in discussing the enterprises' major issues and also set forth opinions and suggestions; and ensure the enterprises' socialist orientation. 2) They should help coordinate the relationship between the party, the administration, trade unions, and Communist Youth League [CYL] organizations; exercise ideological and political leadership over

trade unions; and exercise leadership over CYL organizations. 3) They should keep cadres within discipline. The administrative cadres at or above the middle level should be nominated by plant directors and recommended by party committees, and should be appointed or removed by plant directors through the collective discussions of party and administrative leaders. 4) They should attend to party building. 5) They should guide the ideological and political work and the development of spiritual civilization. Enterprise party organizations should positively disseminate the party's views, expand the influential power and the strength of the party, and bring their political functions into full play.

The task ahead of us at present is more arduous and complicated than those at any time. Thus, leading cadres at various levels should conscientiously study the basic principles of Marxism-Leninism-Mao Zedong Thought and pay particular attention to studying the Marxist philosophy. We should pay more attention to dialectics but less attention to metaphysics, calmly and sober-mindedly ponder problems, scientifically sum up the experiences and lessons gained over the last decade of reforms, and eliminate the ideological and theoretical confused phenomena cropping up over a period of time. We should persist in the doctrine that everything has two aspects and accurately solve the problems concerning "being hard in reforms and the opening to the outside world and being soft in the ideological and political work" so as to realistically strengthen party building and the ideological and political work, and so as to implement comprehensively and accurately the basic line of "a focus and two basic points."

### **Northwest Region**

#### **Qinghai Meeting on Industrial Production Opens**

*HK2610090589 Xining Qinghai Provincial Service in Mandarin 2300 GMT 25 Oct 89*

[Excerpts] A provincial industry and communications work conference opened in Xining yesterday. Items on the agenda are to review the province's industry and communications production in the past few months and assign tasks for this winter and next spring.

Yin Kesheng, (Jin Jipeng), Bian Yaowu and Wu Chengzhi attended. Vice Governor (Jin Jipeng) delivered a speech in which he presented his views on the issues of maintaining a steady economic growth, fostering a clear concept of the socialist commodity economy, opening a market for the goods, and continuing to deepen reforms. He pointed out: This is an important meeting held just when initial results have been achieved in economic improvement and rectification, but the economic situation remains serious. The difficulties we are confronting in economic work are

difficulties in the course of advancement and are temporary ones, and they are the cost we have to pay for cooling down the overheated economy we faced in the past few months. Blind optimism is very dangerous and taking a gloomy view is unnecessary. As long as we make a correct analysis of the situation, turn pressure into a motivation, seize every opportunity, and fight it out, we are absolutely likely and able to tap potentials, maintain a steady economic development in Qinghai, and lay a foundation for future development.

(Jin Jipeng) also said: After the quelling of the counter-revolutionary rebellion, more than a few comrades were concerned about any change of our policies; of this, Comrade Li Peng has made a clear explanation. In light of the actual situation in our province, he said, at present we particularly emphasize the building of spiritual civilization in the drive to build the two civilizations. This is necessary. However, this never means that we can pay less attention to the building of material civilization. Spiritual civilization and material civilization complement each other and neither should be neglected. [passage omitted] Party organizations in enterprises should shift their major effort to the building of spiritual civilization and should support and dovetail with factory directors in running operations and production well. (Jin Jipeng) said that the party Central Committee pointed out clearly that party organizations in enterprises should play the role of political core. Is this contradictory to the relevant provisions in the Business Law? What is the relationship between the two? People take much interest in the questions. He said the central position of factory directors defined in the Business Law calls on factory directors to make decisions in a scientific way and out of their sense of responsibility after soliciting opinions on production, operating activities, and technological development from workers, staff, and party committees. In saying that the party Central Committee requires that party organizations in enterprises give full play to their role of the political core, it actually means that they should play their role of the political core mainly in political and ideological leadership. The two kinds of wording are not in discrepancy. Speaking on the system of contracting enterprises, (Jin Jipeng) said, first, we must keep the relevant policies stable and should not change them at will; second, we must sum up experience in earnest and improve the system step by step by deepening the enterprise reform. [passage omitted]

#### **Xinjiang Official Exempt From Prosecution**

*HK3010022289 Beijing JIEFANGJUN BAO in Chinese 23 Oct 89 p 1*

[XINHUA Report: "Thi Sabir Exempted from Prosecution Because He Confesses To Taking Bribes and Hands Over Illegal Gains to Authorities"]

[Text] Urumqi, 22 Oct—Former vice chairman of the Xinjiang Uygur Autonomous Region, Thi Sabir, committed crimes by abusing his power to support an illegal

profiteering business and taking bribes to the amount of 15,842 yuan. As he made a clean breast of all his crimes and surrendered all his illegal gains including money and articles, the Xinjiang Uygur Autonomous Region People's Procuratorate decided that he is immune from prosecution.

On 13 September, Xinjiang Uygur Autonomous Region People's Procuratorate placed Thti Sabir's case on file for investigation and prosecution according to the law. It is clear that on 28 March and 30 June 1988, when chemical fertilizer was in short supply and there was a strain on the train capacity, Thti Sabir, who was responsible for industrial production and transportation, made several phone calls and wrote instructions on notes, abusing his power, so that a certain woman called Cheng, who was engaged in illegal business, was provided with 100 tons of chemical fertilizer and 8 railway carriages. Cheng then profited 120 yuan per ton by selling the fertilizer, and she also profiteered by selling locally the 8 carriages which she had loaded with Hami melons. She netted 148,000 yuan from the two transactions which

brought her a handsome profit of 190,000 yuan. Thti Sabir accepted from Cheng 1,000 yuan, and articles worth 4,800 yuan.

In May 1988, Thti Sabir granted a written approval to help another woman called Wang, a cadre who retained her post with her salary suspended under the personnel system, to get 120 tons of aluminium ingot at preferential price. Wang made a profit of 82,000 yuan by selling the goods, and Thti Sabir accepted 10,000 yuan from Wang as a bribe. Seeing that Thti Sabir had shown clear repentance by making a clean breast of his crimes and returning illicit money and items, the Xinjiang Uygur Autonomous Region People's Procuratorate decided not to bring a suit against him according to the law and under the stipulations in the "circular requiring all criminals, including embezzlers, profiteers, and those who have taken bribes, to give themselves up within a specified deadline" issued by the Supreme People's Court and the Supreme People's Procuratorate; and after the ruling had been studied and approved by the Xinjiang Uygur Autonomous Region People's Court Procuratorial Committee and had been submitted to the Supreme People's Procuratorate for approval.

**Beijing Radio Views Government's Mainland Policy**

*OW3110045289 Beijing in Mandarin to Taiwan  
0205 GMT 20 Oct 89*

[From the "Rambling Talk on Current Events" program]

[Text] Dear Listeners, how are you? My name is Wen Liang. I am happy to host the "Rambling Talk on Current Events" program for you.

Dear listeners, at the 2d Plenary Session of the 13th Kuomintang [KMT] Central Committee last June, the KMT authorities put forward a plan for pragmatic implementation of Taiwan's policy toward the mainland. The plan, called a pragmatic program, incorporates three elements. First, it calls for separating sovereignty and governing power. It says that while China's sovereignty is one and indivisible, the governing power, unlike sovereignty, is divisible. Second, it calls for separating the goal from reality. The goal is to achieve one China, but the reality is that since Taiwan cannot effectively enforce its rule on the mainland, there are now two Chinas. Third, under the current conditions, while the KMT maintains sovereignty over the mainland, it must recognize the Chinese Communist rule on the mainland. These three elements can be summed up as one sovereignty, two governing powers, and each side enforcing its own rule.

Dear listeners, since the plan is called a pragmatic program, I believe it should be realistic. It should be a feasible program drawn up in the spirit of seeking truth from facts. Well, is this so-called pragmatic program of the KMT authorities really realistic? I would like to analyze this question in greater detail.

First, I would like to talk about the question of China's sovereignty. We know that sovereignty is also called national sovereignty. It is the most important, inherent characteristic of a country. Domestically, it refers to a country's supreme power, and internationally, it refers to a country's freedom from foreign control. Sovereignty is indivisible. The pragmatic program of the KMT authorities recognizes that there is only one sovereignty in China and that it is indivisible. I agree with them on this point. However, the question is: Who after all has this sovereignty? Many of you know too well who has this sovereignty. Since the day the Chinese revolution succeeded and the KMT government was overthrown in 1949, the KMT regime has lost its legal status in China and has been replaced by the PRC. Over the last 40 years, the standing of the PRC in the international community has been widely acknowledged by various countries in the world. Today, it has diplomatic relations with more than 130 countries. It is also a member of the UN Security Council and many other international organizations. At the same time, it effectively enforces its sovereignty. In establishing diplomatic relations with China, all countries have invariably recognized that the PRC Government is the sole legitimate government of China and that Taiwan is its inalienable part. Thus, the Central People's Government of the PRC, not the KMT

authorities on Taiwan, is the government which has sovereignty over China and which is generally recognized by the international community. It is both historical retrogression and the unrealistic illusion to emphasize, as does the pragmatic program, that the KMT still retains its sovereignty over the mainland.

Dear listeners, knowing that they are unable to enforce effective sovereignty over China, the KMT authorities are trying to get something out of the question of the power of governing. Thus, the pragmatic program puts forward the theory of divisibility of the governing power: namely, the power of governing China can be subdivided into two with the KMT authorities exercising their rule on Taiwan and the Chinese Communists exercising their rule on the mainland.

Everyone knows that governing power is the ability of a government to govern a country and that it is closely related to sovereignty. I believe that if sovereignty is indivisible, then so is the power of governing. In China's case, since sovereignty belongs to the PRC, its government naturally has the right to govern the entire country. The KMT authorities on Taiwan have admitted that the KMT is unable to exercise governing power on the mainland, and for the first time, they have publicly recognized the governing power of the Chinese Communists on the mainland. The KMT was forced to do so because it had no other alternative. However, I believe that the KMT did so not only because it had no other alternative but, more importantly, because it did not have the right to do otherwise.

Because Taiwan is part of China, the governing power on Taiwan is only a local governing power that exists with the understanding that the central government has the right to enforce effective rule over the entire country. Owing to historical reasons, the KMT regime has controlled the region of Taiwan all these years. It is actually exercising in Taiwan the governing power of a local government. Proceeding from reality, the central government has granted recognition to this governing power. In recent years, proceeding from historical facts and realities, the Chinese Communists and the government of the motherland put forward the concept of one country, two systems, which stipulates that after the motherland is reunited, Taiwan, as a special administrative zone, will continue to exercise the governing power it has enjoyed. However, this does not mean the division of the country's governing power. In principle, the governing power to be enjoyed by the Taiwan special administrative zone will be granted by the state through the enactment of a law. This is fundamentally different from the division of governing power of a country. The so-called division of governing power refers to the exercise of a country's governing power by two equal governments. Apparently, this is not the case between Taiwan and the mainland. Both sides of the Taiwan Strait affirm that there is only China, and both oppose claims of two Chinas, one China and one Taiwan, or one China and two governments. The pragmatic program is a program for one country and two governments without actually saying so. It is a step

backward from the Taiwan authorities original position. Not only does it not accord with the objective reality, it is also a violation of the principles of international law. It is completely an unrealistic fantasy.

Dear listeners, the pragmatic program put forward by the KMT authorities on Taiwan also calls for separating the goal from the reality, saying that China's reunification is a long-term goal which can only be resolved in the future. According to this argument, Taiwan is currently unable to enforce effective governing power on the mainland and, therefore, cannot ignore the governing power of the Chinese Communists on the mainland. In other words, it recognizes the two Chinas and two governments that actually exist on the two sides of the Taiwan Strait. Obviously, this is an argument tantamount to openly advocating two Chinas. This is in conflict with the one China stand consistently held by the KMT regime on Taiwan.

Dear listeners, you all know that there can only be one China, both now and in the future. This has always been the common understanding of the Chinese on both sides of the Taiwan Strait. It is also a fact universally recognized by the international community. Any attempt to create two Chinas or one China and one Taiwan will be opposed by every Chinese and is doomed to failure.

On the slogan of so-called reunification of China under the three principles of the people, even the KMT authorities themselves know that it is nothing more than a gross deception. Its goal is simply to maintain the state of separation between the two sides of the Taiwan Strait. In other words, it is aimed at maintaining the present rule of the KMT authorities on Taiwan.

Dear listeners, I have analyzed from three points the so-called pragmatic program put forward by the KMT authorities on Taiwan. I feel that the program is founded entirely on illusion. It is impractical as well as unrealistic. It will go nowhere. Thus, the pragmatic program is not pragmatical. I believe that the concept of one China and two systems put forward by the Chinese Communists is the only pragmatic program. Under this concept, there is only one China with two systems coexisting peacefully with each other. Neither side will swallow the other. The two sides can practice their own socialism or capitalism without interference from the other side. This benefits both the mainland and Taiwan, as well as the entire country. History will prove that the concept of one country and two systems is the correct approach to the solution of the issue of China's reunification.

#### Taiwan Underground Sells Forged Passports

HK3110054489 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1134 GMT 16 Oct 89

[Report: "Large-Scale Illegal Organization Sells Forged Passports in Taiwan"]

[Text] Hong Kong, 16 Oct (ZHONGGUO TONGXUN SHE)—Reports from Taiwan: Taiwan recently discovered there is a large-scale organization which used illegal

means to help foreign laborers obtain visas to enter Taiwan, and forge or obtain Taiwan passports for mainland people so they can use them to apply for visas to enter the United States. Recently the United States uncovered a few cases and Justice Department officials were sent to Taiwan to gain an understanding of the situation. Because of this, concerned Taiwan Government departments have set up a special task force to assist fully in this investigation.

Taiwan has had a labor shortage in recent years. Thus, illegal entries by foreign laborers increased. Intelligence agencies have unearthed several cases of illegal entries in large groups, and have discovered that Taiwan's diplomats posted abroad or officials in charge of foreign affairs were involved in the operation. This time, because the U.S. Government sent officials to gain an understanding of the situation, Taiwan's Ministry of Justice has asked the Bureau of Investigation to form a special task force to coordinate the investigation. Preliminary findings confirmed a large-scale organization was operating behind-the-scenes and that its criminal network involved the entire visa issuing section of the Ministry of Foreign Affairs and the police and immigration organizations. Steps are being taken at present to prepare for further investigations.

Internal information in the Bureau of Investigation showed that cases of illegal entries by mainland and Southeast Asian women for prostitution purposes and by mainland and foreign laborers increased during the past year. These cases were all connected with this organization. Investigators of the special task force were carrying out investigations to find the link between this organization and government agencies responsible for foreign affairs.

Investigators of the Taipei Municipal Investigation Office who were conducting in-depth investigations pointed out privately that the "services" of this illegal group included obtaining or forging passports, extending visas, and arranging entries (legally or smuggled in). What brought it to the attention of the United States was that this group used travel agencies to obtain Taiwan passports which were then brought to Hong Kong. After alteration, these passports were given to mainland people to allow them to apply for visas to enter the United States. The United States uncovered several cases of mainland people carrying forged Taiwan passports while checking documents upon their arrival in the United States and informed the U.S. Department of Justice, which subsequently sent officials to investigate in Taiwan.

Investigators pointed out that several police officers of the Aviation Police Bureau were involved in covering up the entries of foreign laborers. They also said the Ministry of Foreign Affairs discovered that police units had extended visas without good reasons, travel agencies lost a large number of passports all of a sudden, and the ministry's missions abroad disregarded regulations to issue visas. These incidents could well be linked with the illegal organization and steps were underway to gather evidence.

**President Views Locally-Built Fighter Test**

*OW2910185889 Taipei CNA in English  
1619 GMT 29 Oct 89*

[Text] Ching Chuan Kang Air Base, Central Taiwan, Oct. 29 (CNA)—The first locally developed jet fighter demonstrated its outstanding capabilities in a demonstration flight at a central Taiwan air base Sunday morning.

President Li Teng-hui, accompanied by Gen. Hau Pei-tsun, chief of the General Staff, Taiwan Governor Chiu Chuang-huan and other ranking government officials, arrived at the air base at 11:00 a.m.

An F-5E jet fighter first scrambled from the air base as scheduled, but the front tire of a "Ching Kuo" jet fighter, better known as Indigenous Defensive Fighter (IDF), blew out unexpectedly and the airplane pitched to the left when it had reached a speed of 230 kilometers per hour a few seconds before taking off.

Reacting immediately to the unexpected, the test pilot managed successfully to keep the IDF upright until it skidded off the runway and finally came to a halt. The pilot escaped without injury, but the IDF sustained light damage.

Colonel Wu Kang-ming, the IDF pilot, soon reported personally to President Li on the accident. Li said he was pleased that Colonel Wu's flight skills allowed him to counteract the unexpected incident.

Sunday's demonstration was not cancelled, however, because of the accident. A second IDF piloted by Colonel Wu Ke-chen successfully took off at 11:04 a.m.

The IDF demonstrated a series of difficult flight maneuvers before it returned to the airbase.

President Li later met the press at the Aero Industry Development Center (AIDC), home of the new jet fighter. Li was impressed that under emergency conditions, the IDF was still able to be controlled and had not suffered grave damage. It was remarkable of the capabilities of the home-designed jet fighter.

Li stressed that it had taken AIDC engineers and scientists seven years to design the combat aircraft, named after the late President Chiang Ching-kuo.

Without AIDC's efforts and hardship, the IDF would not have been completed, Li said. "Thus we should pay our respects to every person who has participated in the design and making of this high performance aircraft," Li said.

The president also visited the IDF assembly line.

According to Colonel Wu, a senior military pilot, tires occasionally blow out when an airplane is taking off or landing.

Colonel Wu claimed that the most dangerous moment is when tires blow out while a plane is taking off. He referred to a similar accident which recently happened in Sweden, in which the test pilot was killed and the airplane burst into flames.

An AIDC official announced that a meeting would be held Sunday afternoon to examine the cause of the accident, and that the results of the investigation would be made public at a later date.

The IDF production schedule will remain unchanged if further tests go smoothly, the official noted.

**Official Reports Increasing East Europe Trade**

*OW3010051689 Taipei CNA in English  
0236 GMT 30 Oct 89*

[Text] Taipei, Oct. 30 (CNA)—East Europe and Southeast Asia will become potential markets of Taiwan-made products, an Economics Ministry official said Sunday.

The official based his prediction on trade figures for the first nine months of this year. Although the Republic of China's [ROC's] exports to East Europe totalled about only 50 million U.S. dollars during the January-September period, the figure was an increase of 50 percent over 1988.

At the same time, the nation shipped 4.5 billion U.S. dollars' worth of goods to Southeast Asia, accounting for nine percent of the ROC's total exports.

The official also revealed that his ministry would recommend "at a proper time" that the Executive Yuan lift the ban on direct trade with the Soviet Union to diversify the ROC's foreign markets.

**Commentary Views Published Challenge to Mainland**

*OW3010114889 Taipei International Service  
in English 0200 GMT 30 Oct 89*

[Station commentary: "Taipei Sends Bold Message to Peking, Via THE NEW YORK TIMES"]

[Text] In a bold, new approach to communicating indirectly with the Chinese Communist regime in Peking, the Government of the Republic of China on Taiwan placed a quarter-page ad in THE NEW YORK TIMES last week. Titled China Reunified? the message called for peaceful unification of China.

The ad asked Peking to renounce the use of force once and for all, and to join with Taipei in creating the conditions conducive to gradual lessening of tensions toward unification.

Taipei also called for equality for the two sides, saying that each side should allow the other equal opportunity to participate in international organizations and to enhance friendly relations with foreign countries.

In the ad, Taipei reiterates its commitment to the one China policy. But the free Chinese side also acknowledged that for the time being, China is a divided nation, and that this reality cannot be escaped by either side.

Since the two sides of the Taiwan Strait have been hostile toward each other for so many years, it would be wrong to expect close relations to develop overnight, the ad went on. "Only when there is an atmosphere of mutual trust will it be possible for the two to work for China's reunification."

Although the message set no timetable for unification, it acknowledged that unification is a long-term goal that requires mutual trust, leading to more concrete action.

The message also was frank about Taiwan's situation, and the attitudes of the Taiwan Chinese toward the unification issue. It said people here show no signs of being willing to jeopardize their free and democratic lifestyle by putting their fate under communist rule. Therefore, the two sides should have the right to choose the social system best suited to them all.

This message was publicized against the backdrop of a string of diplomatic successes for Taipei. So far this year, three nations—Grenada, Liberia, and Belize—have switched recognition to Taipei. All of them had sought relations with both Taipei and Peking, but Peking refused to play along.

As Taipei takes a more aggressive approach to foreign relations, Peking has become worried that the Government here is trying to establish a pattern for creation of two Chinas. It has repeatedly charged that Taipei has ulterior motives for becoming more aggressive in international arena.

THE NEW YORK TIMES ad was meant in part to mollify Peking on this score. Taipei's position has changed, but only in terms of facing the temporary reality of China's division. Taipei has not, as the message clearly states, backed away from its commitment to the shared Chinese policy of one China.

Thus far, Peking has not responded in any way to THE TIMES ad. What Taipei really wants in the short term is for Peking to allow it to freely conduct normal relations with foreign nations. In the past, Peking has done everything it could to block Taipei's participation in international organizations and affairs.

And finally, the ad and its message are further proof that Taipei is taking a more reasonable, flexible approach to reduce tensions in the Taiwan Strait. It is a good start for the unification process.

**Commentary Views Philippine Ties With Government**  
*OW2910061489 Taipei International Service  
in English 0200 GMT 28 Oct 89*

[Commentary by Chris (Geladi): "Aquino Hangs Tough on ROC Ties"]

[Text] Not one to back down to anyone or anything, President Corazon Aquino of the Philippines formally defended the growing ties between her archipelago nation and the Republic of China on Taiwan on Thursday [26 October]. Commentary for the Voice of Free China, this is Chris (Geladi).

Aquino's statement came in response to queries about a visit to Taiwan last week by Philippine Foreign Affairs Secretary Raul Manglapus. Aquino said it was a private visit; that it did not matter if he had called on officials in Taipei. She asserted that such private visits do not violate the terms of Manila's official recognition of the Chinese Communist regime, or Manila's one-China policy. Yet Aquino stressed that because economic relations between Taipei and Manila are growing fast that it has become necessary for economic officials on both sides to meet more often to iron out ground rules of the relationship. She said that Peking did not object to economic relations with the Republic of China on Taiwan.

Nearly a year ago, Peking got hyper when the Philippine Congress began studying proposals to set up a Taiwan Relations Act based on the U.S. model. Such an act would define the structure of Taipei-Manila relations, including provisions for legal matters in lieu of treaties. At the time, Peking warned Manila not to embrace a two-China policy, or else. But Aquino has stood her ground on the issue of economic relations with Taipei, and rightly so for Taiwan is now the largest foreign investor in the Philippines. Taiwan investors poured more than \$100 million into the Philippines in 1988 and at least twice that much so far this year. Businessmen here have specially invested in the large Chinese-Filipino community in Manila while others have moved factories to the Philippines to avoid high labor costs on Taiwan. In 1988, Taipei-Manila trade totaled some \$850 million, with Taipei enjoying surplus of \$350 million.

Although trade grows fast between the two, Taiwan Chinese businessmen have complained about the lack of any formal legal protections for their investments and trade. The government here has responded by courting Philippine congressmen on the Taiwan Relations Act issue. Tens of Philippine congressmen have been invited to Taiwan for private visits in hopes of swaying their opinion on the need for such a law. Peking, meanwhile, is watching these developments closely because it fears another diplomatic setback. So far this year, (three) nations—Grenada, Liberia, and Belize—have switched recognition to Taipei. They have done so largely for the economic benefit that can be accrued from better relations with Taipei. Peking rightly fears that Manila may be in the same boat as those three. Though Aquino says she will stick to the one-China policy, she will likely get her way on economic relations with the Republic of China on Taiwan. She is a shrewd politician now who knows what is best for her people.

**Ministry To Help Upgrade Semiconductor Technology**  
*OW3010051889 Taipei CNA in English*  
*0230 GMT 30 Oct 89*

[Text] Taipei, Oct. 30 (CNA)—The Ministry of Economic Affairs is planning to set up a software information industry zone in Taipei and will spend 5.8 billion NT [new Taiwan] dollars to build a sub-micrometer semi-conductor laboratory in the Hsinchu science-based industrial park in Hsinchu, northern Taiwan.

The software information industry zone will cover a 12-hectare area in Nankang in suburban Taipei.

The ministry will construct standard factories and lease them to software information makers.

The proposed sub-micrometer semi-conductor laboratory will help private computer manufacturers upgrade semi-conductor technology.

## Paper Sponsors Poll Gauging Basic Law Perception

### 'Widespread Skepticism' Noted

HK3110013189 Hong Kong SOUTH CHINA MORNING POST in English 31 Oct 89 pp 1, 6

[By Bernard Fong]

[Text] Seven out of 10 people have no confidence that China will honour the Basic Law guaranteeing the rights of individuals and a separate economic system in Hong Kong for half-a-century after 1997.

A survey to gauge public perception of the Basic Law was conducted by Inrasia Pacific and sponsored by the SOUTH CHINA MORNING POST. It covered 600 respondents and was completed last week.

It revealed widespread skepticism about the ability or intention of China to abide by the document to be promulgated by the National People's Congress early next year.

Only a quarter of the respondents expressed faith in China's commitment to the Basic Law, whose consultative exercise ends today.

The Basic Law will be further revised in a plenary session scheduled to be held in Guangzhou in December.

The second consultative exercise, suspended in June following the Tiananmen Square massacre and resumed in July, has generated fewer than 3,000 submissions, compared with the 73,000 gathered in 1988.

The scarcity of submissions was corroborated by the Inrasia survey, which indicated that only 1 1/2 per cent of the respondents had sent letters to the Basic Law Consultative Committee responsible for collating views on the document.

The disinterest in the Basic Law was also reflected in that 10 per cent of the respondents had discussed the document, which in the spring will become an adjunct to the Chinese national Constitution.

Six per cent said they had signed letters and petitions on some provisions of the Basic Law, which contains 159 articles and three annexes.

Only one in 50 said they had read the entire Basic Law booklet, of which more than a quarter million were distributed, while 32 per cent had glanced at portions of the document.

Almost half had never heard or seen the Basic Law, even though it was advertised in newspapers and television and discussed in numerous forums and seminars.

Those with higher levels of education and living in the urban areas seemed more familiar with the Basic Law, whose promotion peaked in the spring before the rise of the student protest movement in China.

Despite the dearth of specific knowledge of the Basic Law, a majority of the respondents expressed reservations on Article 14 of the document, which endows the future chief executive with the power to seek military help from the People's Liberation Army garrison to preserve "public order".

Three out of five believed that the chief executive should be able to act to secure "public order" without first consulting the Chinese Government, while 22 per cent were opposed to the idea.

Two-thirds felt the Chinese Government should not act unilaterally in defence of "public order" in the Hong Kong Special Administrative Region, compared with one in five who believed the sovereign had that prerogative.

Article 14 became a key point of interest after May 20 when the Chinese State Council and President Yang Shangkun declared the demonstrations in Tiananmen Square illegal and imposed martial law.

The Basic Law article stipulates: "Military forces sent by the central People's Government to be stationed in the Hong Kong Special Administrative Region for defence shall not interfere in the local affairs of the region. The Government of the Hong Kong Special Administrative Region may, in time of need, ask the central people's Government for assistance from the garrison in the maintenance of public order and in disaster relief."

The issue became even more contentious when the British delegation to the Joint Liaison Group suggested in September to its Chinese counterpart that the Beijing Government should refrain from deploying troops in Hong Kong as a gesture of assurance to the local people.

The Chinese Government promptly replied that the deployment of People's Liberation Army (PLA) troops in any strength was the sole sovereign responsibility of Beijing as of July 1, 1997, and that the issue was not negotiable.

The Hong Kong Governor, Sir David Wilson, though he did not challenge the right of China to station troops in the territory when it resumed sovereignty, said in June it was imperative that the PLA garrison should not meddle in the domestic affairs of the Special Administrative Region.

"Public order—and that is a very important point—is to be maintained by Hong Kong's own security forces. Troops sent by Beijing would have no part to play in the politics of Hong Kong," he said.

This view is shared by some commentators, who believe the clause, unless it is amplified and clarified, could be open to abuse.

The public in general opposed Chinese military intervention in Hong Kong, even in extreme situations, according to the opinion poll.

**Editorial Views Results**

**HK3110013389 Hong Kong SOUTH CHINA MORNING POST in English 31 Oct 89 p 22**

[Editorial: "Poll Gives Warning to China on Basic Law"]

[Text] The results of an extensive opinion poll published in this newspaper today provide further evidence that recent months have seen faith in the Basic Law consultation process, and the document itself, fall to an alarming level. This, ironically, has occurred at a time when interest and involvement in political affairs by the people of Hong Kong have been at their highest in the history of the territory. The major factor in this, of course, has been the June 4 massacre, and the ensuing harder line taken by China towards Hong Kong over a series of issues, from illegal immigrants to local political activity. There is now a danger that what was presented as the best guarantee of continuing prosperity and stability for Hong Kong is being built on shaky foundations; the Basic Law may instead be seen as a document which no longer represents or reflects the wishes of the Hong Kong people, who now more than ever want a say in their destiny.

The Joint Declaration, and the Basic Law process born of it, were unique. Never before has a population, particularly one tiny segment of a nation, been offered the opportunity to participate in the formulation of the constitution under which it will live. The Joint Declaration, espousing the "one country, two systems" concept, was hailed as remarkable act of diplomacy, and was claimed to be the best possible insurance policy available to Hong Kong in the circumstances. It was extraordinary in that it sought to preserve the successful capitalist tenets of life in Hong Kong after 1997, even though sovereign power would be vested in a communist state. That promise can still come true, but only if the Basic law, to be promulgated by the National People's Congress early next year, fulfills the intent and the spirit of the 1984 Sino-British agreement.

Since June, the desires of Hong Kong people have been pushed into the background by the international political manoeuvres which followed the crackdown in China; the territory has become an arena for diplomatic skirmishes, particularly between London and Beijing. While many welcome Britain's new willingness to resist Chinese pressure, there is the risk that confrontation will prove detrimental to the territory, and both sides should realise that Hong Kong is likely to be the loser at the end of the day. This conflict is at the root of the confidence problem in Hong Kong, and the Basic Law is the instrument through which it could be resolved.

The Basic Law is primarily a document of China, but for the past four years the leaders in Beijing, from Deng Xiaoping down, have told the people of the territory that their views will weigh heavily in the consideration of the drafters. As the poll today shows, public belief that this will actually occur is diminishing rapidly. It must be of concern to China that seven out of every 10 people

polled believed that the document will not fully encapsulate views expressed in Hong Kong; the corollary is that the Basic Law will reflect and endorse in major clauses only the views of Beijing.

Since June the focus of attention has been the political system in Hong Kong after 1997. Many views have been put forward—from the Omelco [Office of Members of the Executive and Legislative Council] consensus to the compromise "4.4.2" model to the bicameral system—but it would seem that, although drafters have not had their final meeting, a decision in principle may already have been made. Just as the controversial "Cha Cha" model was as good as imposed on the second draft of the Basic Law without prior warning, it is apparent that the most conservative of the political models proposed has already won favoured status in China. The underlying motive is the determination of Chinese leaders to leave no door open for any influential liberal say in Hong Kong affairs after 1997.

In the current political climate in Beijing, this is not unexpected. However, this inflexible stance has been adopted in the face of growing public anxiety in Hong Kong about the freedom of expression after the transfer of sovereignty, and the desire for a faster pace of political reform during the 1990s. By making this position known, while the consultative process was still under way, China has achieved little in encouraging people in the territory to feel confident that any opposing views they hold will be considered seriously. For this reason, the second consultation process, in comparison to the first, has failed. There have been relatively few submissions, and the Basic Law Consultative Committee has done little to convince the public that it had a vital role to play on their behalf. In the final analysis, its refusal to hold any form of poll to gauge public opinion has left it open to wide criticism. Surely, if the public was reluctant to come forward with opinions, then it was the responsibility of the committee to seek them. At the same time some of its members have pushed political ideas of their own, which has included overtures to the Beijing leadership.

China was handed a perfect opportunity to erase public doubts about its intentions with the publication of the revised Basic Law in late February. That new draft was a considerable improvement on the first, because it reflected many of the local opinions put before drafters in 1988, specially regarding the civil rights of those living in the Hong Kong Special Administrative Region and the independence of the judiciary, although some ambiguities remained and the progress towards greater democracy was much too slow for most tastes.

A document that seemed to offer a basis for progress in February became clearly inadequate in June, following the imposition of martial law on parts of Beijing and the Tiananmen square massacre. The resultant suppression, and the abandonment of reform policies in China, focused attention on certain key clauses in the Basic Law which required clarification. The spotlight was turned on the powers of the Chief Executive and his relationship

with the Central Government—including the right to seek the deployment of Chinese troops in the Special Administrative Region to maintain "public order". Article 14, at first seemingly innocuous, has now taken on an ominous note because it is seen as being vague enough to allow it to be used as a pretext for politically motivated actions.

The demands in some quarters for the Chief Executive to be made more accountable, and his powers checked by the legislative assembly, need to be properly addressed. China seems insistent that the executive-led nature of the future administration should be preserved, irrespective of the growing local political maturity. Such a policy is consistent with the Chinese belief that what the British have perpetuated in Hong Kong for a century and a half should not be disrupted, let alone displaced.

The already convoluted basic Law consultative exercise has been further complicated by domestic Chinese politics. Since June, Beijing officials have been adamantly against a quickened pace of democratisation in Hong Kong, because they believe that political reforms in the territory are intended to create a buffer against the resumption of full Chinese sovereignty after 1997. The sense of distrust has pervaded relations between Beijing and London, with speculation growth that Britain would be prepared to push through reforms in the territory, irrespective of Beijing's opposition. Neither the "through train" nor the "Lowu" solutions proposed to ensure convergence—suggesting collaboration between China and Britain and therefore a minimum of upheaval in 1997—have been mentioned lately.

The administration, keen to demonstrate to the Hong Kong public that it is in full charge until the change of sovereignty, has even repudiated in part its own White Paper on political reform, and alluded to the possibility of increasing the number of directly elected seats to the Legislative Council in 1991. China has objected to the basis that reforms now must agree with its own post-1997 plans for Hong Kong. However, Britain believes that under the terms of the Joint Declaration it has the right to institute change in Hong Kong as it sees fit. Britain also argues that because the Basic Law is a derivative of the 1984 accord, it is entitled to complain if the document fails to reflect the spirit of the Joint Declaration.

The heart of any constitution is the protection it offers to individual rights and freedoms. On paper the revised Basic Law draft offers such guarantees without dwelling on specifics. Because such imprecision allows room for interpretation, there is need for redefinition and clarification, little of which has been forthcoming from the Chinese Government. The unwillingness of China to commit itself to significant revisions of the Basic Law to reflect the changed mood of Hong Kong since June has also cast doubt on the future of the Bill of Rights which the Hong Kong Government will enact next July. Without endorsement of the Bill of Rights, there will be a fear that the crucial charter will cease to be effective after the change of sovereignty. While the revised Basic Law accepts the independence of the future Hong Kong judiciary, it also endows the National People's Congress with the power to interpret and, if necessary, overturn some judicial verdicts of the Special Administrative Region courts. That contradiction has to be resolved because of the great differences between the Hong Kong and the Chinese judicial systems, with the former being separate from government and the latter being an arm of it.

It is some source of comfort that the Basic Law can be amended, even before 1997. So, although the formal Basic Law consultative period is over as of today, the informal process continues. Hong Kong people can still express their opinions on the Basic Law after its promulgation. Ultimately, it is up to China to shape the document to better reflect the aspirations of the Hong Kong people, rather than leave it to the vagaries of Chinese politics. There are few in Hong Kong who believe anything could be gained for the territory if it was turned into a base of subversion against the Beijing leadership. What people here want is a stable, modern, prosperous community, where they can get on with their lives and there they feel free to express their views. That was the spirit of the Joint Declaration, and it must be the reality of the Basic Law if it is to have real value.

#### **Businessman Leaves Ningbo After 2-Day Visit**

*OW 2810191889 Beijing XINHUA in English  
1545 GMT 28 Oct 89*

[Text] Ningbo, October 28 (XINHUA)—Yue Kong-pao, chairman of the Supervisory Commission of the Hong Kong Worldwide Shipping Group, and his entourage left here this afternoon for Hong Kong after a two-day visit here.

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